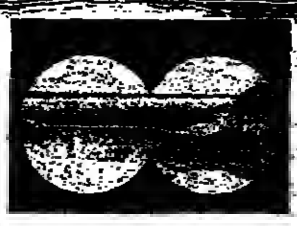
88420
453

هكتابين الأجيل

UN in Bosnia
Why leaving may be worse than staying
Page 18

Media and privacy
Too big for their boots?
Joe Rogaly, Page 18



Carl Zeiss
A marriage on the rocks
Page 2

Today's surveys
Australia
Greater Atlanta
Separate Sections

FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY NOVEMBER 1 1994 — D8523A

Three Baby Bells launch joint cable television venture

The convergence of US telecommunications and cable television took a further step with the formation of a joint venture between three regional Baby Bell telephone companies and a leading programming agency. Bell Atlantic, Nynex and Pacific Telesis said they were each investing $100m over three years in a cable venture including Michael Ovitz's Creative Artists Agency. The partners claim to reach 30m homes in the US. Page 21

Tanker industry warns on new US rules: Tough new rules imposing unlimited financial liability on tankers sailing into US waters could severely damage the tanker industry and halt oil shipments to the US, shipowners said. Page 20

Japan's bad debt crisis eases: Yasushi Mieno, governor of the Bank of Japan, said the protracted bad debt crisis experienced by the country's banks appeared to be past its worst. Page 20

China publishes money supply figures: China's central bank took a leap into greater public disclosure when it published up-to-date money supply figures for the first time since the Communist revolution. Page 20

Mavrodi of MMM joins Russian parliament

Sergei Mavrodi (left), charged with tax evasion and whose MMM pyramid selling company crashed in the summer, was elected to the Russian parliament. The Moscow prosecutor said the case had begun before Mavrodi stood as a deputy and he could not claim parliamentary immunity. Page 2

Japan and US extend trade talks: Japanese and US trade negotiators extended their talks for a third day in an attempt to reach agreement on improving foreign access to Japan's market for glass products. Page 6

Algeria announces elections: Algerian President Liamine Zeroual announced that presidential elections would be held before the end of 1995 in an effort to end confrontation with Moslem fundamentalists in which 10,000 people have died.

New chief for Hong Kong stock exchange: Edgar Cheng Wai-kin, elected chairman of the Hong Kong stock exchange, said he was more interested in strengthening the quality of Chinese companies listed in the territory than increasing their numbers. Page 26

US personal income rises: US personal income rose in September for the eighth successive month, the Commerce Department said, but consumption spending, though still increasing, showed some signs of weakening. Page 4

GrandMet to raise $500m: Food and drinks group Grand Metropolitan is to raise $500m in the US through an issue of perpetual fixed rate preferred securities, a financial instrument similar to preferred stock. Page 30; Lex, Page 20

Thomson to acquire Ziff information arm: Thomson Corporation, travel and publishing group controlled by the Thomson family of Canada, is to acquire a Ziff Communications subsidiary, Information Access Company, for $465m. Page 21

China and S Korea sign aircraft deal: South Korea and China agreed a $1.5bn deal to develop a 100-seat aircraft in the latest of several proposed Asian aerospace projects. Page 6

Havana to seek more overseas investment: Cuba plans to open more of its recession-hit economy to foreign investment. Page 4

Hungarian sale interests European banks: Three western European banks are considering bids for Hungary's Budapest Bank, one of the country's top four commercial banks. Page 21

Vestey buys back food interests: The Vestey family is to buy back a large part of food processing and distribution group Union International as part of a restructuring of the private Vestey food, shipping and property business empire. Page 22

Threat to kidnapped Britons: A Kashmiri militant group holding three British backpackers hostage in northern India has threatened to behead them if 10 of their own men are not freed from jail. Page 8

Inspirations to launch airline: Inspirations, the UK tour operator which floated on the Unlisted Securities Market last December, is to launch its own airline. Page 31

■ STOCK MARKET INDICES

FT-SE 100:	3,087.4	(+13.8)
Yield	4.08	
FT-SE Eurotrack 100	1,337.14	(+10.53)
FT-SE-A All-Share	1,536.31	(+0.4%)
Nikkei	19,989.00	(+184.44)
New York: lunchtime		
Dow Jones Ind Ave	3,923.26	(-7.40)
S&P Composite	473.84	(+0.07)

■ US LUNCHTIME RATES

Federal Funds:	4¾%
3-mo Treas Bills: Yld	5.163%
Long Bond	94⅞
Yield	7.985%

■ LONDON MONEY

3-mo Interbank	6⅛%	(6%)
Liffe long gilt future:	Dec 100⅜	(Dec100⅜)

■ NORTH SEA OIL (Argus)

Brent 15-day (Dec)	$16.77	(16.91)

■ Gold

New York Comex (Dec)	$384.9	(388.7)
London	$384.5	(386.9)

■ STERLING

New York lunchtime:		
$	1.6385	
London:		
$	1.6386	(1.6235)
DM	2.4583	(2.4505)
FFr	8.419	(8.388)
SFr	2.0513	(2.046)
Y	158.082	(158.023)
£ Index	81.0	(80.7)

■ DOLLAR

New York lunchtime:		
DM	1.50315	
FFr	5.1475	
SFr	1.25465	
Y	96.825	
London:		
DM	1.5077	(1.5094)
FFr	5.1633	(5.1686)
SFr	1.258	(1.2602)
Y	96.95	(97.335)
$ Index	81.0	(81.1)

Tokyo close Y 97.37

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDH15	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDH15	Singapore	S$4.30		
Bulgaria	Lv60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira90	S. Africa	R12.00		
Czech Rp	CZK50	Israel	Shk6.50	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr18	Italy	L3000	Oman	OR1.50	Sweden	SKr18		
Egypt	E£5.00	Japan	Y600	Pakistan	Rs40	Switz	SFr3.30		
Estonia	EKr 30	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00		
Finland	FM14	Kuwait	Fils.625	Poland	Zl 38,000	Tunisia	Din1.500		
France	FFr9.50	Lebanon	US$1.50	Portugal (m'land)		Turkey	L30000		
Germany	DM3.80	Lux	LFr65		Esc225	UAE	Dh12.00		

RJR Nabisco to float 19% of its food business

By Tony Jackson in New York

RJR Nabisco, the US tobacco and food group, is to float 19 per cent of its Nabisco food subsidiary.

It will also pay dividends for the first time since it was acquired in a $25bn leveraged buyout by the Wall Street investment housa Kohlberg Kravis Roberts (KKR) in 1989.

But the group is to back out of an agreement to buy a 20 per cent stake in Borden, the US food group, which is the target of a $2bn bid from KKR. It said it had been unable to reach agreement on accounting and other issues, but would not give further details.

The flotation, clearing the way for demerger, will involve 45 million shares of Nabisco stock, priced at between $23 and $26 and carrying dividends of 55 cents a year. This will raise between $1bn and $1.2bn.

RJR said it will use the net proceeds to pay down bank debt. The sell-off will value the whole of Nabisco, the biggest US biscuit maker, which also owns Planters nuts, LifeSavers confectionery and Fleischmann's margarine, at between $5.4bn and $6.2bn.

RJR said any eventual break-up would not be considered for at least two years. Ownership of more than 80 per cent of Nabisco is meanwhile required as a condition for a tax-free spin-off. However, KKR said it was "completely committed" to the Borden bid, despite RJR's decision, and was happy for Borden to continue being run by its existing management. Borden has been among the least successful of the big US food companies in recent years, and some management input from the more highly regarded Nabisco had been envisaged as part of the deal.

Lex..............Page 20

KKR proposes to pay for the Borden purchase with RJR shares. This will halve its stake in RJR, in which it is the dominant shareholder, to just over 17 per cent. Wall Street analysts said RJR's refusal to get involved with Borden could be a show of independence.

An earlier demerger attempt by RJR, valuing Nabisco at $6.7bn, collapsed last summer because it failed to protect Nabisco sufficiently from the risk of litigation over tobacco.

In contrast to that plan, which left the tobacco company with title to Nabisco's assets, the new version makes Nabisco wholly independent.

Though RJR's announcement was welcomed on Wall Street, the stock fell $⅛ to $6⅝. Analysts attributed this to news that a state court judge in Florida had given the go-ahead to a class action against cigarette makers by all smokers who were addicted to nicotine and had become ill as a result.

Philip Morris, the biggest US tobacco company, said it was confident the judge's decision would be overturned on appeal, saying it was "contrary to federal and Florida law".

Fitch Investors Service, the US debt rating agency, said it was lowering the rating on RJR's $8.4bn senior debt. This was because RJR's resumption of dividend payments, together with a higher tax charge, would, Fitch estimated, reduce its cash flow by some 38 per cent.

Decision averts damaging political row over Europe

Brittan to stay on as UK commissioner in Brussels

By Emma Tucker in Brussels

Sir Leon Brittan in pensive mood at yesterday's press conference in Luxembourg before he announced he would stay as trade commissioner. On the right is Klaus Kinkel, president of the council of ministers Reuter

Sir Leon Brittan averted another damaging political row over Europe yesterday by announcing his intention to stay on as the UK's senior commissioner in Brussels.

At a meeting of European Union foreign ministers in Luxembourg, Sir Leon said he was "disappointed" he had lost responsibility for relations with east and central Europe. But he said his diminished portfolio – responsibility for multilateral trade and relations with developed countries – was an "important" challenge.

He pledged to remain in Brussels to argue for a Europe that was "open, free-trading, and non-interventionist, and for a Britain that is at the heart of that Europe".

Coincidentally, Sir Leon was attending a meeting between EU foreign ministers and their counterparts from six countries seeking membership of the Union – Hungary, Poland, the Czech Republic, Slovakia, Bulgaria and Romania.

Sir Leon was speaking two days after he narrowly lost a battle to retain responsibility for western Europe's former communist neighbours in the carve-up of Commission portfolios announced by Mr Jacques Santer, the incoming Commission president.

The task of organising the early admission of former communist countries to the Union – a central plank of UK strategy towards the development of the EU – went to Mr Hans Van den Broek of the Netherlands.

Mr Douglas Hurd, the UK foreign secretary, said he was "extremely glad" that Sir Leon had chosen to stay in the Commission. He was clearly relieved that Mr John Major's government would not have to contemplate disputes over a successor.

"The portfolio Sir Leon has will continue to be essential and it is therefore very good that this important job should continue to be in sound and strong hands in the Commission," Mr Hurd said.

Yesterday's meeting was the first in which eastern Europe was able to influence debate on EU policy, putting views on topics from justice and home affairs, to the environment, education and training.

Mr Laszlo Kovacs, the Hungarian foreign minister, said: "This was a very important meeting. For the first time we had the chance to have a certain influence on discussions. It helped EU ministers to understand our priorities and aspirations."

Mr Klaus Kinkel, the German foreign minister, reassured the east European ministers that progress towards full Union membership was not moving too slowly. "What we require is a realistic and sober approach to bringing them into the EU," he said. "Economic aid at the end of the day can only help the countries to help themselves."

Ministers discussed ideas for an accession strategy, in particular bringing east European laws into line with those in the west to allow the six to operate within the EU's single market.

EU ministers have asked Brussels for a white paper on measures east European countries must take to prepare their economies for EU membership.

Changes to the Phare aid programme, a main source of EU financial assistance to the former communist countries, were also discussed. The six countries want to see the limit on infrastructure spending lifted from 15 per cent of the total budget.

Page 3

■ Brittan finds solace in past achievement

Bank of Italy queries accuracy of budget figures

By Robert Graham in Rome

High interest rates could push the cost of servicing Italy's huge debt stock well beyond the figure envisaged in the 1995 budget, the Bank of Italy warned yesterday.

The warning, in the bank's quarterly economic bulletin, is the most authoritative statement so far to suggest budget calculations may be flawed.

It comes as the rightwing coalition government of Mr Silvio Berlusconi and the opposition are struggling to hammer out a parliamentary agreement on the budget.

The budget is seeking to find L50,000bn ($4.47bn) in fresh revenues and, through spending cuts, to hold down the deficit to L138,000bn – equivalent to 8 per cent of gross domestic product.

The report uses more cautious language than usual after recent tension between the bank and the government over the appointment of a new director-general at the bank. It suggests, however, that the budget may well have to be toughened.

The report also confirms the strength of the recovery in the Italian economy. However, inflationary pressures should have been checked by the half percentage point rise in the discount rate in mid-August.

The interest rate rise, interrupting a steady fall since late October 1992, undermined the budget calculations. The report points out that short-dated government bonds are now 2.1 percentage points above the 8 per cent ceiling targeted for the year-end, and forecast to be sustained throughout 1995.

Similar considerations apply to medium-term treasury paper.

According to the bank, a 1 percentage point increase in interest rates over the next 12 months implies an extra debt service cost of L6,000bn, rising to an additional L14,000bn in the third year. The budget forecasts debt service payments in 1995 at L176,250bn. "Only rigorous pursuit of the budget objectives –

Currencies..............Page 38
World stocks..............Page 4?

eventually toughened because of exceeding the ceilings placed on interest payments – can reduce the risks by altering the perceptions of the financial markets," the report comments.

The bank estimates that this year's inflation rate will be about 4 per cent against the 3.5 per cent target, making the 2.5 per cent objective for 1995 harder to achieve.

As domestic demand picks up, pushing GDP growth this year to at least 2 per cent (against the 1.6 per cent forecast), inflationary pressures have begun to emerge. As a result, the bank reaffirmed its determination to keep tight control of monetary policy.

German Cartel Office probes insurers' car rental pricing

By Judy Dempsey in Berlin

Germany's federal Cartel Office is investigating the country's leading insurance companies, which are alleged to have been running a price-fixing system for car rentals in order to reduce insurance payouts to their clients.

The price-fixing system is claimed to have been set up last December when six insurance companies founded a car rentals company called Carpartner.

In Germany, insurance policyholders expect to be able to hire immediately a temporary car at the insurer's expense after an accident.

The Cartel Office suspects that the system was established to reduce car rental costs that insurers believed were excessive.

"The idea was that if you had a car accident, you would apply to your insurance company for a replacement car," claimed Mr Jürgent Kiecker, the spokesman for the Cartel Office.

In this case, Mr Kiecker said, "the insurance companies agreed on the car rental prices among each other, subsidised the rent and generally insisted that the client should rent only from Carpartner".

The Cartel Office admits the arrangement would have had the effect of reducing the cost of car rentals while the customer's car was off the road: "But that is not the issue. The issue is price-fixing and that is what we are investigating."

None of the insurers was available for comment yesterday.

Some insurers refused clients' requests for higher-cost substitute cars from other rental agencies. Over time, more than 60 insurance companies are said to have joined the scheme in an effort to reduce their pay-outs.

The Cartel Office started investigating Carpartner last Tuesday, and the company has voluntarily provided documents to the authorities.

He would not say what sparked the investigation, but the Cartel Office has become more aggressive in probing price-fixing allegations in recent months.

Germany's rental car replacement market is one of the biggest in Europe. Unlike in Britain, where the majority of cars are rented on an individual private basis, in Germany about 50 per cent of all rented cars are replacement vehicles.

CONTENTS

No 32,512 Week No 44 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

NEWS: EUROPE

Mavrodi's millions pay dividends with voters

By John Lloyd in Moscow

Mr Sergei Mavrodi, the multimillionaire charged with tax evasion whose MMM pyramid selling company crashed in the summer, has been elected to the Russian parliament, according to early figures last night. He was backed by Mr Vladimir Zhirinovsky's ultra-nationalist Liberal Democrats (LDP).

It was the first important by-election for a state duma (lower house) seat since last December's poll produced a surge of support for the LDP. The result was the more remarkable since Mr Mavrodi did not make a single appearance in his *Mytishci* constituency, an industrial suburb of Moscow. However, members of his staff had worked the area for weeks before, promising that their boss would spend $10m of his own money improving it.

Mr Mavrodi, released from jail three weeks ago in accordance with the law on elections granting immunity to candidates and deputies, had told the electors on the eve of the poll that "your only solution is to elect me because then I will be *immune from further arrest.* I will *not have to return to prison*".

However, Mr Gennady Ponomaryov, the *Moscow prosecutor*, said last night that "the legal case against *Mr Mavrodi would not be* terminated antometically". Since the case – for tax evasion by his Invest Consulting firm – had begun before he stood as a deputy, it could continue without an appeal to the Duma to remove his immunity.

According to Mr Sergei Taranov, Mr Mavrodi's spokesman, the new deputy would bring together e group of members of parliament dedicated to "defend the interests of the *shareholders* of Russia and defend them from the uncontrollable *arbitrariness* of *government* bureaucrats".

The campaign had been remarkable both for the absence of Mr Mavrodi and the presence et the election rallies of black-clothed, swastika-wearing paramilitaries who turned out to greet the candidate of the Russian National Unity (fascist) party, Mr Alexander Fyordorov, with Nazi salutes. However, neither Mr Fyodorov nor Mr Andrei Sidelnikov, representative of the right-wing Derzhava movement led by *former* Vice-President Alexander Rutskoi, eppeared to have scored well.

The early figures showed Mr Mavrodi capturing around 28 per cent of the vote, with Mr Alexander Zharov, an official of the local administration, taking around 15 per cent, and Mr Konstantin Borovoi, a prominent financier and leader of the Economic Freedom party, around 14 per cent. Mr Borovoi had been a particular target of Mr Fyodorov's supporters, who mocked him with anti-semitic insults at rallies.

Though Mr Mavrodi has said he does *not* intend *to* ally himself to any faction in the Duma, his campaign *was partly run* by the LDP. In return, the party can expect to gain access not *just to his fortune but to* the famed skills of his company's television production studio. The latter made the series of advertisements promoting MMM which persuaded hundreds of thousands of Russians to buy its shares as they climbed dizzily earlier this year.

Turnout at the election was around 30 per cent - comfortably above the 25 per cent threshold to make the vote a valid one.

Zeiss 'marriage' a unification story ending in tears

Judy Dempsey chronicles the troubled amalgamation of the east and west arms of the German optical instruments manufacturer

The marriage seemed a good idea at the time, says Mr Jürgen Dömel, head of the workers' council at *Carl Zeiss Jena, the renowed* eastern German manufacturer *of microscopes, telescopes* and optical instruments.

"We had the name. We had the freedom to enter the western markets. We were confident."

There is little evidence of that confidence in Jena today as the management in Carl Zeiss Oberkochen in the nearby western German state of Baden-Württemberg prepares to cut 2,400 jobs from its 13,000 strong pay-roll in its west German operations and 600 of the 2,050 workforce in Jena, an old university town set deep in the eastern state of Thuringia.

The marriage between the eastern and western parts of Carl Zeiss was arranged by the Treuhand privatisation agency in late 1991. *Hailed* as an exemplary solution for saving Carl *Zeiss Jena, is* sought to combine both enterprises under one roof *after* 45 years *of* enforced separation.

Under the plan, Oberkochen too 51 per cent of Carl Zeiss Jena, while the remaining 49 per cent was placed under Jenoptik, also in Jena. Jenoptik, which specialises in high-tech laser and optical instruments and is managed by Mr Lothar Späth, the former prime minister of Baden-Württemberg, is 100 per cent owned by the government of Thuringia.

In addition, to save and modernise the entire Carl Zeiss complex, which before unification employed more than 27,000 workers, the Treuhand allocated DM3.6bn (£1.47bn) of taxpayers' money to Jenoptik with the aim of guaranteeing *10,000* jobs and finding new markets. As for Carl Zeiss Jena, by the end of next year the Treuhand will have pumped in *DM587m* and *kept* 2,050 jobs alive.

But, laments Mr Elk Littow, manager of Carl Zeiss Jena, "We *invested about DM117m* on new buildings and production *lines and the remainder has been spent on picking* up losses."

Despite introducing new production lines, Carl Zeiss Jena has been making annual losses of about DM140m on a turnover of DM206m, while productivity is still only 40 per cent of Oberkochen's.

Recession hit domestic and export markets *for* the group products before its top heavy *management had time to react.* "Yes, we have over-employ*ment*," says *Mr Littow.* "But one of the problems is that the *expected markets did not materialise.* After unification, we lost all our east European and Russian outlets. Half our current sales to the east – e quarter of our total turnover – are now financed by Hermes [Germany's export guarantee state insurance company]."

> 'I don't want to believe that this is a struggle between *Wessis* and *Ossis*. But it is hard to think otherwise,' says the head of the Jena workers' council

Mr Littow also concedes *it* had been difficult to integrate Carl Zeiss Jena with Oberkochen. "We are still making *some of the same product lines* although we have tried to phase them out".

Indeed, the duplication of *product lines is considered one of the main problems* in this marriage. But these are linked to what happened to Carl Zeiss after 1945.

In July 1945, American troops, which had advanced into Thuringia just before the Red Army, whisked away 127 scientists from Carl Zeiss Jena to the western zone, and with them, they helped re-establish Carl Zeiss et Oberkochen. The remainder of the world-renowned optics and glass enterprise, which had been founded in 1889 by Ernst Abbe and Otto Schott, was brought under state control once the east German communists consolidated their grip over eastern Germany in 1949. The real struggle for the Carl Zeiss name began in earnest.

For more than 45 years both Carl Zeiss' produced the same *goods. As Oberkochen* captured the western markets with its *high-quality* microscopes, telescopes and optical *instruments*, Jena went east*wards with similar products.*

"It was e struggle between east and west Germany to preserve the name and the products," says Mr Dömel. "Over thet time, the buyers et Carl Zeiss Oberkochen were taught to believe they were the real inheritors of Carl Zeiss Jena. Since unification, we in Jena have been trying to recapture our place on the international markets through the marriage with Oberkochen," he adds.

Yet Mr Dömel believes Oberkochen does not want Carl Zeiss Jena to exist. "We are supposed to be able to market our goods through their distri*bution network. But we sell* more products through our own ontlets than throngh Oberkochen. It's a psychological problem for their marketing people who now have *to think about* marketing the Jena products. I don't want to *believe that this is* a *struggle* between *Wessis* (west Ger*mans) and Ossis* (east Germans). But it is hard to think otherwise, especially *since* Oberkochen makes the deci*sions,*" *he says.*

"Look, there was no attempt to *integrate* Jena and Oberkochen and streamline the prod*uct lines," says Mr Willy Their*acker, a member of Oberkochen's workers' council. "There was a duplication of product lines. *We have been* warning the management at Oberkochen for years to restructure. They reacted too late. Of course we fear about jobs going to the east. But we don't want to make this into an east-west struggle."

The group's profit and loss account tells just that story, however. Of operating losses of DM180m in 1993/94, DM140m is attributable to Jena.

And the east-west tensions have been heightened by the group's precarious situation. Workers *protesting* at the western plants about the restructuring programme last week waved banners proclaiming: "Aufbau Ost, Abbau West. Wir sagen nein" (Building in the east, dismissals in the West. We sey no). Oberkochen, which last year had a turnover of DM2.5bn, is now making DM40m losses.

But since lt owns 51 per cent of Carl Zeiss Jena, managers at Oherkochen believe they will have a freer hand to control losses at that plant in late 1995 when the Treuhand's investment and joh guarantee contracts for *saving 2,050 jobs expire.*

However, Mr Bernd Kramer, *head of the physical technologies* department at the federal *ministry for research and technology* in Bonn, believes the *real problem facing* Carl Zeiss is its price structure and growing *competition*, particularly from the south-Asian markets.

"Carl Zeiss is definitely under pressure from these markets. But anyone buying these *top-class* instruments have to find a balance between price and quality. Also, if Carl Zeiss wants to become more competitive, the management will have to respond more quickly. It is not yet flexible enough in this field," adds Mr Kramer.

Treuhand and Thuringian government officials agree. They say the difficulties in integrating the eastern and western *operations* is partly due to *inflexible management* as well as the problems in marrying two companies which had developed two different mar*keting philosophies over the* past 40 years. That, however, is *of little comfort to the tax*payer.

"I *keep asking myself what* happened to the DM587m of *tax-payers money," says Mr* Wilfried Rudolf, a spokesman for the Thuringian government. But he declined to *explain* why the *state did not* earlier question the losses since it has an indirect ownership interest in Carl Zeiss Jena *through Jenoptik.*

"The big deciding question is *why the management* [at Oberkochen] took so long in finding a concept", says Mr Späth. Dr Jobst Herrmann, chairman of the Carl Zeiss board, may partly have answered fears about the quality of group management by resigning last week, though he is staying on in the job until a replacement is found.

Over the next few days, unions and management from Oberkochen and Jena will meet to decide if the restructuring plans can be implemented. But the governments of Baden-Württemberg, Hesse (which has a Carl Zeiss subsidiary) and Thuringia, are reluctant to accept more unemployment and may extend financial aid to both plants.

"At the end of the day, Carl Zeiss, and its name, belongs in Jena," says Mr Dömel. "Jena's future depends on Carl Zeiss remaining here. Full Stop". "I wonder if this marriage will even survive," says Mr Theiracker. "It will," says Mr Kramer. "But it will need time to make it work."

Meciar agrees to form a cabinet

The former *Slovak* prime minister, Mr Vladimir Meciar, formally agreed yesterday to try to form a coalition government, a full month after the electoral victory of his Movement for a Democratic Slovakia (HZDS), Reuter reports from Bratislava.

Mr Meciar made the announcement in a letter to President Michal Kovac, who played a key role in his downfall in a parliamentary no-confidence vote last March.

The letter is the latest twist in Slovakia's personality-domi*nated politics since* the elections of September 30 and October 1, when the HZDS took 35 per cent of the vote and 61 seats in the 150-member parliament.

Shortly after the vote, Mr Kovac appointed the HZDS to lead coalition talks, but pointedly ignored its leader, Mr

Vladimir Meciar: choice as PM despite president's hostility

Meciar, whose suitability as *prime minister he questioned* during campaigning. Mr Mec*iar rarely appeared as talks* dragged on with little success, *preferring* to *send representa*tives instead. At one point e senior *HZDS member* said *Mr* Kovac should resign for the sake of Slovak political stability.

However, last Friday the president finally requested that *Mr Meciar provide him* with a list of new cabinet members, although *he set no deadline.*

Mr Kovac's aides said they had received the letter yesterday by express delivery, but that no HZDS representatives had yet visited the president.

So far the HZDS has clinched support in forming a coalition only from its traditional ally, the extreme nationalist Slovak National party, which won nine seats.

Mr Meciar's chances of forming a stable coalition depend largely on whether he can strike a pact with the four-party gronping, Common Choice, led by reformed communists of Party of the Democratic Left (SDL).

Talks between the two have so far been inconclusive, leaving Mr Meciar in limbo and forecasting tough political times ahead.

"To get a majority in parliament we need six more votes... to seize the challenge to solve the crisis situation coming in 1995," Mr Meciar said in an interview published yesterday in the daily newspaper, Republika.

THE FINANCIAL TIMES

Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 *Neu-Isenburg* (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The *Financial Times Limited*, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE: Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK: Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, *DK-1161 CopenhagenK.* Telephone 33 13 44 41, Fax 33 93 53 35.

EUROPEAN NEWS DIGEST

ILO warning on Russian jobless

More than a third of Russia's industrial workforce is in "hidden unemployment" and many others are not being paid or have had their wages cut, according to a report published yesterday by the International Labour Organisation. Moreover, open unemployment in Russia – based on standard international definitions – is at least five times as high as the official figures, based on registrations of under 2 per cent, the report said.

Enterprises have cut jobs for the fourth year running from mid-1993 to mid-1994, by an average of more than 8 per cent. However, 35 per cent of those still "in work" had no job to do. These included those on involuntary short-time working and those – a fifth of all industrial workers – on long-term "administrative leave" receiving little or no wages. The existence of hidden unemployment was a rational response by managers who would otherwise have to pay wages or severance pay, said the report's author, Mr Guy Standing. Even so, nearly half the enterprises surveyed by the ILO were in wage arrears and more than 60 per cent had not paid wages in full. Mr Standing said official figures showing a rise in average real wages referred to contractual wages and not those actually paid. "Across the board, many workers are taking home much less, if they are taking home anything," he said. Mr Standing called for enforceable labour contracts and a more comprehensive and generous social protection system to aid the process of enterprise restructuring and to cushion hardship. *Frances Williams, Geneva*

Yeltsin backs bank candidate

Mr Boris Yeltsin has proposed that Mrs Tatyana Paramonova, presently acting governor of the Russian Central Bank, be confirmed in her post. He has sent his recommendation on her candidacy to the state duma for debate and ratification in the latter half of this month. Mrs Paramonova, the youngest member of the bank's senior management and the sole woman member, was named acting governor after the resignation of Mr Victor Gerashchenko from the governership last month following the dramatic fall in the rouble. An investigatory commission specially appointed by the government is due to report tomorrow on what caused the plunge in the Russian currency. *John Lloyd, Moscow*

Ukraine sends reform signals

Ukrainian President Leonid Kuchma yesterday consolidated his grip on economic policy by naming a radical reformer, Mr Viktor Pynzanek, as first deputy prime minister for economics. The appointment of Mr Pynzanek, who quit the same post in frustration last year when Mr Kuchma was prime minister, undercuts the conservative prime minister, Mr Vitaly Masol. Mr Masol, who was strongly criticised by Mr Kuchma yesterday for trying to obstruct last week's unification of the currency exchange rates, had said any appointment to that economics portfolio would weaken his own position. Mr Kuchma promised further austerity measures soon and progress toward a new constitution. He commented: "I'm ready to compromise on all issues except economic reform and executive power." He also urged parliament to ratify the Nuclear Non-Proliferation Treaty because, he said, economic help from both Russia and the west depended on it. *Matthew Kaminski, Kiev*

Polish minister thinks again

Poland's foreign minister, Mr Andrzej Olechowski, who resigned last week after being placed on a list of top government officials who also hold directorships, has suspended his resignation while the courts clarify if he was breaking the law. Asked in a newspaper interview what he would do if the courts decided against him or the issue was not clarified by the end of the year, he replied: "I will leave." The list of 68 senior officials was published last week by Mr Wlodzimierz Cimoszewicz, justice minister, who argued that they contravened a 1981 law banning government officials from accepting pay from other sources. Mr Olechowski, who was nominated by President Lech Walesa, has also denied that he will run against him in next year's presidential election. *Christopher Bobinski, Warsaw*

ECONOMIC WATCH

Energy prices hit Oslo's surplus

Norway's current account surplus for the first eight months of 1994 fell to NKr13.853bn (£1.3bn) from NKr16.757bn in the same 1993 period, according to the country's national statistics agency. The 17 per cent fall reflected a drop in the value of oil and gas exports, to NKr68.6bn from NKr70.1bn, as well as lower net exports of ships and oil platforms. Imports have also risen strongly on the back of the recovery in the Norwegian economy, which will grow by around 4 per cent this year. In August, the current account swung to a deficit of NKr570m, compared with a July surplus of NKr1.833bn. The turnaround was due to oilfield maintenance work which pushed down the value of Norway's August oil exports to NKr6.6bn from NKr8.5bn in the same 1993 period. *Christopher Brown-Humes, Stockholm*

■ Wholesale sales in Germany in September dropped a real 1 per cent year-on-year and fell a calendar and seasonally-adjusted real 1 per cent from August.

■ Greek industrial production rose 4.2 per cent year-on-year in August after a 7.1 per cent rise in July.

■ Slovakia's industrial output in August rose by 5.8 per cent compared with the same period last year. Industrial production rose also by 5.8 per cent in August against July.

Commissioner claims some credit for E Europe's advance towards E[illegible] entry

Brittan finds solace in past achievement

By Emma Tucker in Brussels

It was with a certain savagery that Sir Leon Brittan, the UK's senior European commissioner, yesterday described the EU's progress to date in embracing former communist countries of east and central Europe.

"We have taken a quantum leap towards bringing the countries of east and central Europe into the European Union and it is for me personally a cause of great satisfaction and pride that we have been able to do so," he said.

Two days after learning that the prize task of oegotiating Europe's enlargement to the east had been lopped off his Brussels portfolio, the smarting commissioner took the opportunity of an EU foreign ministers' meeting in Luxembourg – attended by ministers from six east European countries – to sum up the great strides taken since Berlin's wall was knocked down.

No one was left in any doubt whom to thank: "The reason why we were able to have a meeting of substance today was because of the work that has already taken place... a great deal has been done and the countries are now set formally on the path towards membership of the EU."

But in spite of his evident irritation and disappointment, Sir Leon held fire and did not announce a resignation. Evidently friends, supporters and most especially the British government – horrified at the prospect of further domestic turmoil over Europe – had been to work on him.

As Mr Douglas Hurd, UK foreign secretary, put it: "I am extremely glad that he has decided to stay on in the Commission."

Sir Leon himself was putting on a brave face: "After the conclusion of the Uruguay Round of the Gatt negotiation, I turned myself increasingly to the affairs of eastern and central Europe of the former Soviet Union, so I was naturally disappointed," he said.

"But I have received messages from governments asking me to stay on," he said. "The portfolio I have been offered does represent an important and major challenge... I am under no illusion about the magnitude of that task."

Mr Hurd and Sir Leon himself were not the only people praising the former conservative MP's two-year efforts as commissioner responsible for central and eastern Europe. Mr Klaus Kinkel, German foreign minister, said: "I have thanked Sir Leon for the excellent work done in producing a strategy paper which has in part prepared the way for accession."

There were diplomatic words, too, from the Polish foreign minister, Mr Andrezj Olechowski. "We were very pleased with the work done by Sir Leon. We think he was, and continues to hs, convinced about the future membership of our country and has done a great deal of work and made much contribution," he said.

But as he tactfully put it, the east Europeans were not losing a friend as a result of Mr Jacques Santer's division of labour, they were merely gaining a new one. "We have no reason to think the new commissioner will not be as enthusiastic and able as the other."

Sir Leon is not a stranger to controversial, news-shattering resignations following his role in the Westland helicopter dispute of the Thatcher government. Yesterday he took unkindly to suggestions that he should have acted more decisively this time round. "Maybe you have always found it easy to make big personal decisions," he snapped at one journalist. "Not everybody is in that happy situation."

Milosevic's wife brings their enemies to book

By Laura Silber in Belgrade

EUROPEAN PROFILE

The annual Belgrade book fair last week awarded first prize to a literary novice, Mrs Mira Markovic, better known as the wife of President Slobodan Milosevic of Serbia.

The award marks the rise of Mrs Markovic, who has become increasingly prominent in the Serbian political scene over the past few months.

Her hand can be detected in Mr Milosevic's current moves towards peace with Croatia. She is behind Serbia's embargo against the Bosnian Serbs.

Mrs Markovic had made public her aversion towards Mr Radovan Karadzic, the Bosnian Serb leader, a year before the Serbian president turned his back on his protégé.

The first lady of Serbia makes her views known by publishing her diaries in Duga, the most popular Serbian magazine. Her book, "Night and Day", is a compilation of these musings which have heralded the demise of many politicians – from Mr Karadzic to Mr Vojislav Seselj, the ultra-nationalist MP, who last week was sentenced to three months in prison.

While her diaries provide a stage for settling political scores with her husband's rivals – often erstwhile allies – they also ponder the beauty of crickets, summertime, and ethnic tolerance.

Her book, said one critic, "is polyphonic, a combination of scientific analysis and poetic sensibility".

After his Machiavellian turn-around three months ago, Mr Milosevic is poised to purge nationalists from the ranks of Serbia's ruling Socialists (SPS) – or at least get rid of those who had made the mistake of speaking too loudly in favour of the war in Bosnia. This was portended by Mrs Milosevic, who attacked Mr Mihajlo Markovic, the main Socialist ideologue.

"Mr Markovic betrayed her revolution by being too soft on the Serbs on the other side of the Drina," the river which marks Serbia's frontier with Bosnia, wrote the Belgrade journalist Mr Milivoje Glisic.

In last month's column, Mrs Markovic warned Mr Markovic, her former professor, that she "has many comrades in the SPS, maybe many more than Mihajlo Markovic... The only thing that my professor may be right about is that he should not wage polemics with his former students and he especially should not get angry if they are better than him."

With her husband abandoning nationalism, Mrs Markovic has founded Jul (Yugoslav United Left), a shadowy organisation including her university students and retired generals. Indeed, writes Mr Stojan Cerovic, the respected Belgrade journalist, "the literary jury this time perhaps did not want to reward only the skill or the good taste of Mrs Markovic in picking her spouse, but also her efforts in rallying the left".

Mr Milosevic's political shift has effectively marginalised the tiny liberal opposition and radicalised the rest even more. While Mrs Markovic says she supported peace all along, her husband was blamed by the west for being the chief instigator of the war.

His recent moves have won kudos from international peace envoys and the lifting of some UN sanctions, which give him a freer hand in Serbia.

While Mr Glisic wryly expressed relief that the Belgrade book fair was free of political influence, the award signalled the extent to which the Milosevics rule Serbia.

"If everything gets worse, Mrs Markovic will become all the greater writer," said Mr Cerovic, "in the end, perhaps, the only writer whose books are printed."

See Feature

Mrs Mira Markovic (right) and her husband, Slobodan Milosevic, voting in Belgrade in the 1992 *presidential election*
AP

Clinton seeks to stem party losses

By Jurek Martin in Washington

US MID-TERM ELECTIONS
November 8

President Bill Clinton yesterday launched a week-long drive to minimise expected Democratic party losses in the mid-term elections on November 8. Mr David Wilhelm, the party's national chairman, travelled with the president to Philadelphia and proclaimed "the tide is turning." But he added that he was under no illusion how tough the elections would be.

Indeed, in the first three states on Mr Clinton's itinerary – Pennsylvania, Ohio and Michigan – polls found Democratic candidates falling behind Republican opponents in seats the party already holds.

In Pennsylvania, a Pittsburgh Post-Gazette survey gave Congressman Rick Santorum, the Republican, a 46-35 point lead over Senator Harris Wofford. Though the poll had a small sample, with a margin of error of plus or minus 5 per cent, and was dismissed as unreliable by the senator's campaign, the two had previously appeared neck-and-neck.

As an indication of the importance Republicans attach to the state, Mr Santorum was chosen to give the party's official response to the president's regular weekly radio broadcast on Saturday. He charged that the Democrats had secret plans to raise taxes and said "it is time for you to tell Washington that you want to keep your hard-earned income."

In Michigan Mr Spence Abraham, the Republican, was given a 46-34 lead over Congressman Bob Carr. Another survey a week ago had given the Democrat a small lead, but the popularity of Governor John Engler, the Republican certain of re-election, appears to be pulling Mr Abraham along.

All the recent Ohio surveys show Lt Governor Michael DeWine with a double digit lead over Mr Joel Hyatt, who is bidding to succeed his father-in-law, Senator Howard Metzenbaum. Mr Hyatt has started to dig into his own considerable private resources to finance a last-minute drive but most experts consider it too little and too late.

But both Mr Hyatt and Congressman Carr are to campaign with Mr Clinton today, in contrast to the president's previous visit, when both shunned him. Mr Mark Singel, now apparently trailing as the Democratic candidate for governor in Pennsylvania, also appeared with the president yesterday having failed to show up last month at a Washington fund-raiser on his behalf at which Mr Clinton was present.

The president's upwards move in the polls on the strength of foreign policy achievements may help his party, though by how much is unclear. Mr William Schneider, political analyst for the CNN-USA Today-Gallup national poll, said recently that every 2 point rise in the president's popularity was worth a seat in the House and every 8 points one in the Senate. By that logic, Mr Clinton has just saved four House seats and one in the Senate.

In New York the Democrats were able to take heart from the latest large sample New York Times/WCBS-TV poll out yesterday which gave Governor Mario Cuomo a 44-34 point lead over Mr George Pataki.

Clinton: upward move in polls

AMERICAN NEWS DIGEST

US personal income rises

US personal income rose in September for the eighth month in a row, the Commerce Department reported yesterday, but consumption spending, though still increasing, showed some signs of weakening. Personal income rose by 0.6 per cent in September from August to a seasonally adjusted annual rate of $5,756.7bn as wage and salary income continued to advance. Disposable income, after deducting tax payments and some other non-tax payments, also rose by 0.6 per cent. Personal consumption expenditures, however, rose only 0.2 per cent in September after gaining 0.8 per cent in August. Spending on durable goods, which had surged in August, fell slightly as car purchases tailed off, while spending on services and non-durable goods continued to advance.

In a separate announcement the Purchasing Management Association of Chicago said its index of business activity rose to 64.3 per cent in October from 63.8 per cent the previous month. The association said its index of prices paid by businesses rose to 72.5 per cent from 72.1 per cent in September. *George Graham, Washington*

Professor ahead in Bogotá poll

A flamboyant philosophy professor appears to have wrestled the mayoralty of Colombia's capital Bogotá from the ruling Liberal party in the biggest upset in Sunday's municipal and provincial elections. Partial results showed Mr Antanas Mockus, beating his Liberal opponent by a wide margin. Mr Mockus conducted an unconventional campaign, placing no paid advertising and erecting only four advertising hoardings in a city of nearly 7m people. He also cancelled all public appearances during the past week saying people were saturated with elections.

Early returns from the rest of Colombia showed the Liberal party holding on to power and remaining the dominant political force in this country of nearly 36m people. However, the traditional Liberal and Conservative parties lost a number of cities to candidates backed by civic fronts. *Sarita Kendall and Reuter, Bogotá*

Newport News Greek ship deal

Newport News Shipbuilding said yesterday it had become the first US shipyard since 1957 to win a foreign commercial ship order when it signed a contract with Eletson Corp, a Greek shipping company, for two 46,000 ton tankers. The contract also includes an option for two more tankers, and follows the US Transportation Department's approval of a loan guarantee to Eletson. The first of the two vessels, which can carry up to 343,000 barrels of oil, is due to be delivered in 22 months. Newport News has been heavily dependent on naval shipbuilding orders, but Tenneco, its parent company, has been seeking to diversify into commercial shipbuilding. *George Graham*

Athlete loses $27m damages bid

US Olympic athlete Butch Reynolds yesterday lost his bid for $27m in damages from the International Amateur Athletics Federation for barring him from competition after he failed a controversial test for the use of anabolic steroids. Mr Reynolds, who ran 400m in a world record 43.29 seconds in 1988 but was barred from the 1992 Olympics by the IAAF, was awarded the $27m in damages by a federal judge two years ago. But an appeals court said in May that the US court did not have jurisdiction over the Monaco-based federation, and the US Supreme Court yesterday declined to review that decision. *George Graham*

Cuba opens up to more investment from overseas

By Pascal Fletcher in Havana

Cuba is to open up more of its recession-hit economy to foreign investment, including real estate, services and sugar production.

Vice-President Carlos Lage told a news conference in Havana at the weekend that the government was also preparing a new foreign investment law that would give more protection to overseas investors, who are already active in Cuba in activities ranging from oil exploration to citrus production.

Cuba began opening up its state-run economy to external investment after 1989 to offset the devastating impact of the collapse of its preferential trade and aid ties with the former Soviet bloc.

"From now onwards, no productive sector will be excluded from investment by foreign capital," Mr Lage said. Up to now, raw sugar production, traditionally the island's biggest export earner, had been explicitly closed to foreign investment. But the sugar industry is in deep crisis and has suffered two consecutive disastrously low harvests.

Mr Lage also announced that, in defiance of a continuing US economic embargo against Cuba, representatives of more than 69 US companies had visited the island in the first half of this year to discuss business prospects.

In some cases, letters of intent for future contracts had been negotiated to take effect when the US embargo was finally lifted by Washington.

Representatives of two British sugar companies, Tate & Lyle, and ED&F Man, have held talks this year with Cuban investment officials.

Shortages of essential inputs previously supplied by the former Soviet Union, such as fuel, spare parts, fertilisers and herbicides, have crippled Cuba's sugar production since 1990.

On Cuba's economy, Mr Lage said it was still too early to talk of recovery. But he cited some positive signs, such as the growth of foreign investment, particularly in tourism and oil exploration, improvements in construction, cement and nickel production and progress in the government's efforts to stabilise the country's internal finances.

Nicaragua limps back to life

Edward Orlebar on the first expected growth year since the 1970s

Nicaragua is expected to grow this year, a rare occurrence for an economy that has been in almost unremitting decline since the late 1970s, as a semblance of political stability gains a foothold.

But the economic expansion remains anaemic and there is little confidence that the economy has taken a decisive turn for the better. Growth is unlikely to exceed 1.5 per cent this year, less than population growth at around 3 per cent. Unemployment is 60 per cent.

Relative peace, and measures aimed at developing a market economy after the defeat of the left-wing Sandinistas in 1990 have not, so far at least, brought the economic benefits that the government has periodically promised.

Mr Oscar Rene Vargas, an economist, points to a drop in income per head of 48 per cent in the last five years. "This is the 'Africanisation' of Nicaragua," he says. "We won't be able to return to the levels of 1989 for 25 years."

The country's foreign debt – at $11bn, more than eight times gross national product – is still a heavy burden. The government secured in June an Enhanced Structural Adjustment Facility with the International Monetary Fund, which gives it access to $150m a year until 1997, and the possibility to renegotiate debt with Paris Club creditors. But about 80 per cent of liquid foreign loans go towards debt service.

Meanwhile, Nicaragua is running a large trade deficit, has negligible reserves, an agricultural sector suffering from drought, and a virtually non-existent industrial sector. Even the machetes, the essential tool of any agricultural labourer, are imported from El Salvador.

> 'This is the "Africanisation" of Nicaragua. We won't be able to return to 1989 levels for 25 years'

But observers say there are some signs of encouragement. Although, many rural areas in the north are still plagued with banditry, the last group of organised rebels negotiated an agreement with the government in April.

Congress has passed a military code which strengthens civilian authority over the armed forces and gives the president the right to dismiss the defence chief.

Higher international coffee prices should push revenue above $100m in 1995 and total exports to more than $300m. Some foreign investment has begun to flow towards the energy sector, tourism, and gold mining.

The national telephone company, Telcor, which has markedly improved its service, is expected to be privatised by the end of the year. The seafood industry grew by 60 per cent last year.

"We believe there are significant opportunities here," says Mr Eduardo Montealegre, general manager of Bancentro, one of nine private banks to open since 1991. "We have changed the direction of things and the direction we are going in is the right one," he says.

Some analysts, however, still see fundamental change needed in other areas: in the unreformed public sector – a loan to cover this is being negotiated with the World Bank – and in the financial sector, where the state banks are in desperate condition.

Furthermore, though the country's political divisions are less marked than they appeared a couple of years ago, there is concern that presidential elections in November 1995 are already beginning to sour the political climate.

A split has emerged among leading members of the Sandinista National Liberation Front between a modernising wing of the party and the authoritarian leadership of Mr Daniel Ortega – a probable presidential candidate – and other hardliners who have maintained left-wing rhetoric.

One manifestation of this is a division within the party over a proposed constitutional reform intended to make the executive more accountable to the legislature. The reform would among other things prohibit the immediate re-election of the president, shorten the term from six to five years, and ban close relatives from standing for election.

Observers say Mr Ortega wishes to negotiate a property law which would legalise Sandinista ownership of some properties confiscated during its administration in the 1980s. In return, they say, he would be willing to support the removal of the proposed bar on presidential relatives seeking re-election. This would allow the man described as Nicaragua's *de facto* prime minister, Mr Antonio Lacayo – the minister of the presidency and President Violeta Chamorro's son-in-law – to run for office too.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	102.4
1986	105.5	100.8	6.9	98.0	107.1
1987	108.4	106.0	6.1	105.5	108.2
1988	112.6	110.7	5.4	105.1	112.1
1989	115.8	112.4	5.2	99.3	110.8
1990	116.4	112.4	5.4	84.6	106.3
1991	114.0	110.3	6.6	62.2	111.7
1992	117.6	112.9	7.3	60.3	118.8
1993	123.8	117.6	6.7	65.2	123.3
4th qtr.1993	5.7	4.3	6.4	69.4	123.3
1st qtr.1994	7.0	5.0	6.5	71.3	123.8
2nd qtr.1994	6.1	5.8	6.1	74.7	124.6
3rd qtr.1994		6.8		75.2	
October 1993	5.3	4.1	6.6	68.5	120.8
November	5.8	4.2	6.4	68.9	122.3
December	6.0	4.6	6.3	70.7	123.3
January 1994	4.4	4.8	6.8	66.7	123.6
February	7.0	4.6	6.4	72.8	123.5
March	9.7	5.4	6.5	74.3	123.8
April	8.7	5.0	6.4	73.5	124.3
May	5.8	6.0	6.0	76.4	124.3
June	5.8	6.4	5.9	74.1	124.6
July	4.9	6.3	6.1	76.6	124.9
August	5.2	8.8	6.1	74.9	125.5
September		6.6		73.4	

JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	2.6	100.0	96.9
1986	106.5	99.7	2.8	94.3	105.8
1987	113.8	103.1	2.8	108.3	115.1
1988	122.6	113.1	2.5	135.9	122.0
1989	132.5	119.7	2.2	147.0	124.7
1990	141.8	124.5	2.1	149.8	121.7
1991	144.6	126.6	2.1	144.2	119.0
1992	139.8	119.0	2.1	124.2	118.2
1993	131.8	113.8	2.5	106.6	125.3
4th qtr.1993	−5.0	−4.2	2.7	103.3	125.3
1st qtr.1994	−3.4	−3.1	2.8	101.7	130.0
2nd qtr.1994	−1.8	−1.1	2.8	102.9	130.8
3rd qtr.1994		1.8			
October 1993	−6.0	−6.0	2.7	98.6	124.5
November	−6.5	−3.2	2.7	111.8	124.5
December	−2.5	−3.5	2.8	99.5	125.3
January 1994	−2.0	−2.7	2.7	87.0	128.2
February	−3.2	−4.4	2.8	97.7	127.8
March	−5.0	−2.2	2.8	110.7	130.0
April	−1.9	−2.0	2.8	99.5	130.8
May	−3.4	−1.8	2.8	103.8	130.3
June	−0.2	0.7	2.9	105.1	130.8
July		−0.5	3.0	98.6	132.2
August		3.8		106.9	132.9
September		1.8			

GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	105.2
1986	103.3	102.2	6.4	136.4	105.0
1987	107.4	102.6	6.2	149.4	106.0
1988	110.5	106.3	6.2	164.8	112.2
1989	114.2	111.4	5.6	218.7	115.0
1990	123.5	117.2	4.8	261.1	115.5
1991	130.5	120.8	4.2	270.7	112.8
1992	127.7	118.1	4.6	260.2	106.0
1993	122.9	110.8	5.8	198.5	113.0
4th qtr.1993	−5.5	−3.1	6.3	179.2	113.0
1st qtr.1994	0.5	0.0	6.5	194.8	116.2
2nd qtr.1994	−1.9	3.0	6.6	188.2	119.8
3rd qtr.1994				194.3	
October 1993	−3.5	−4.3	6.2	175.9	111.9
November	−4.7	−4.0	6.3	180.1	112.4
December	−8.2	−1.0	6.3	182.8	113.0
January 1994	0.4	−1.7	6.4	190.9	113.8
February	0.6	1.0	6.5	199.8	114.8
March	0.5	0.7	6.5	196.8	116.2
April	−7.8	2.8	6.8	192.8	117.7
May	2.5	2.3	6.6	187.8	116.7
June	−0.1	4.1	6.6	186.7	118.8
July	−3.3	6.4		190.1	121.0
August	−3.2	1.2		193.4	121.5
September				199.3	

FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.3	100.0	102.3
1986	102.4	101.1	10.4	107.0	109.1
1987	104.5	103.1	10.5	117.2	108.7
1988	107.8	107.3	10.0	135.3	114.3
1989	109.5	111.3	9.4	160.6	113.9
1990	110.3	112.9	8.8	163.2	107.4
1991	110.3	113.2	9.4	128.2	106.6
1992	110.5	113.2	10.4	103.5	106.6
1993	110.7	109.9	11.7	90.0	109.7
4th qtr.1993	−0.5	−1.5	12.3	80.3	109.7
1st qtr.1994	1.4	0.4	12.5	93.6	112.9
2nd qtr.1994	−1.3	3.6	12.8	110.6	114.9
3rd qtr.1994					115.9
October 1993	−2.7	−4.4	12.2	83.8	107.9
November	2.0	−0.1	12.4	79.8	108.8
December	−0.6	0.0	12.4	77.5	109.7
January 1994	0.7	1.3	12.5	82.5	110.4
February	1.4	−0.8	12.5	95.1	111.5
March	2.0	0.6	12.6	103.3	112.9
April	−3.8	3.6	12.8	113.6	114.3
May	3.1	3.7	12.7	109.8	115.1
June	−2.8	3.6	12.6	108.3	114.9
July	−1.8	5.2	12.8	105.2	114.6
August	4.0	5.2	12.6	109.6	114.8
September					115.8

ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1985	100.0	100.0	8.6	103.8
1986	106.6	104.1	10.4	110.7
1987	112.1	106.8	10.9	112.8
1988	107.9	114.2	10.8	117.7
1989	116.8	118.7	10.9	115.8
1990	114.4	118.0	10.3	112.0
1991	111.0	115.4	9.8	114.8
1992	116.9	115.4	9.8	111.7
1993	114.2	112.8	10.2	121.6
4th qtr.1993	−6.9	−0.3	10.7	121.6
1st qtr.1994		−0.9	11.7	123.2
2nd qtr.1994		5.0	12.5	122.5
3rd qtr.1994				
October 1993	−5.6	−1.3	n.a.	118.8
November	−5.4	−1.4	n.a.	120.8
December	−9.8	1.9	n.a.	121.6
January 1994	−6.2	−3.5	n.a.	122.2
February		−0.2	n.a.	122.8
March		1.0	n.a.	123.2
April		6.8	n.a.	123.4
May		2.8	n.a.	123.2
June		5.2	n.a.	122.5
July		6.5	n.a.	
August		12.3	n.a.	
September			n.a.	

UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	11.2	100.0	102.1
1986	105.3	102.4	11.2	116.1	105.6
1987	110.7	106.5	10.3	141.2	110.1
1988	117.8	111.8	8.6	143.1	108.5
1989	120.1	114.0	7.2	123.5	106.1
1990	121.1	113.7	6.8	97.2	103.5
1991	118.8	109.2	8.8	68.2	108.[illegible]
1992	120.5	109.0	9.8	69.3	112.5
1993	124.8	111.3	10.3	76.3	121.0
4th qtr.1993	3.7	3.0	10.1	82.8	121.0
1st qtr.1994	3.5	4.2	9.9	84.8	123.4
2nd qtr.1994	3.8	5.8	8.5	89.0	123.7
3rd qtr.1994	3.6			96.8	
October 1993	3.2	2.2	10.2	80.7	119.3
November	3.8	3.4	10.1	83.5	118.8
December	4.2	3.3	8.8	83.7	121.0
January 1994	3.8	4.4	10.0	84.4	122.1
February	2.8	3.9	9.8	84.5	123.0
March	3.7	4.2	9.8	84.8	123.4
April	4.3	6.1	8.8	87.4	123.3
May	4.1	5.2	8.5	88.2	123.6
June	3.1	8.2	9.5	91.3	123.7
July	3.9	4.8	9.5	93.9	124.2
August	3.3	4.6	8.3	97.8	124.7
September	3.7			99.0	

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

هكذا من الأصل

A definition of highly available computing:

"The use of redundant components in conjunction with appropriate fail-over and restart mechanisms in both hardware and software to permit event notification of failure conditions coupled with application and/or database checkpointing and rollback/recover algorithms, thus establishing reasonable assurance within predicted norms that a combination of redundancies will allow a confidence factor to exist and that mean time to repair shall be a small enough variable in conjunction with simultaneous mean time between failure of the aforementioned redundant components that the overall system availability will be significantly above normal performance." *~ The competition*

Common sense translation:

"Your computer system should be up and running 24 hours a day, 7 days a week, 365 days a year, so you don't have to be." *~ Data General*

Let's get right to the point. All too often, corporate computing systems don't work the way you need them to work. And they usually cost more than you want to spend. Data General can help. We've taken steps to restructure our own business to focus on computing in ways that will make the most sense for your business.

~

How? Unlike much of the competition, we don't waste time duplicating existing commodity technology. Instead, we create advanced systems that use the finest commodity technologies available. And we offer complete services to design, implement and support your total corporate computing solution from start to finish.

~

Why does this approach make sense? It's more flexible. You're not locked into a proprietary way of doing things. Your system can change and expand as you grow. It's more dependable. And every Data General AViiON® server and CLARiiON® data storage system has reliability and availability engineered into its basic design. So you're able to recover quickly from any problem. And you can expect information that's not only accurate, but also available.

~

It's also more capable. Data General has set the mark for others to follow with proven AViiON results by handling large numbers of users, large numbers of transactions, and managing very large databases much more efficiently than the competition. In other words, you get higher performance at a better price. And that makes sense. Especially when you consider the fact that computers are no longer just a part of your business. They are your business.

~

To see what common sense can do for your business, fax us at (44)81-758-6433. Or e.mail us at *commonsense@dg.com* for a free copy of our guide to computing: *The Common Sense Connection*™.

Data General
Bringing Common Sense to Computing

Japan and US struggle to seal glass pact

By Michiyo Nakamoto in Tokyo

Japanese and US trade negotiators yesterday extended their talks for a third day in a bid to reach agreement on means of improving foreign access to Japan's market for glass products.

The talks were continuing nearly one month after the two sides indicated they had reached an agreement in principle on opening the market.

Failure to produce an agreement last week kept negotiators working in Tokyo over the weekend and into a third day as yesterday's deadline approached.

Lack of an agreement by the deadline could prompt the US into taking unilateral trade action, possibly sanctions, against Japan's flat glass market.

Mr Hideaki Kumano, vice-minister for international trade and industry, said yesterday that Japan hoped to settle the glass talks by the deadline. "I hope both parties will wrap up talks even if discussion is extended into the small hours of Tuesday," he said.

The talks are a remnant of the bilateral framework negotiations under which Japan and the US reached a partial agreement at the end of last month.

At the time, the issue of Japan's flat glass market, together with that involving the country's market for vehicles and vehicle parts, were postponed when Japan and the US announced they had reached agreement in four of the five priority sectors targeted under the framework negotiations.

An agreement on the glass market had been reached "in principle," the Japanese government said at the time, and details were to be worked out within 30 days.

Mr Steve Farrar, director of international business for Guardian Industries Corp, a US glass maker, said most differences had been resolved. As with other US-Japan disputes, stalemate has emerged over US efforts to pin down specific criteria to measure progress.

"We want to avoid having a situation where importers could buy token amounts and never become serious customers," he said. "We want to be sure that what is being measured is substantial business relationships."

The US claims that Japan's flat glass market, which is the second largest in the world at $4.5bn a year, is closed to foreign suppliers.

This is because of the dominance of three large domestic producers which have very tightly controlled distribution arrangements with the industry's wholesalers.

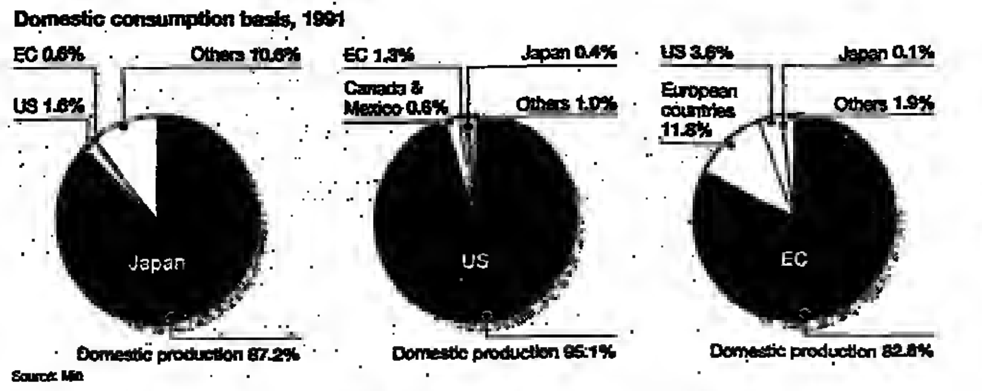
US makers have only a 1 per cent share of the Japanese market, compared with more than 25 per cent in Europe and Latin America, the US says. Under these circumstances, the US would like to see more procurement of US-made glass for facilities owned by the government in addition to greater market access in the private sector.

The Japanese side has claimed that its market, with imports amounting to 12 per cent, compares favourably to that in the US, where imports are a meagre 5 per cent and in Europe, where foreign-made flat glass accounts for 17 per cent of the market.

The Japanese government has been reluctant to interfere in what it considers a matter for the private sector. The basic stance of the government is that if US companies want a larger share of the Japanese market they should raise their competitiveness.

Japan's flat glass imports

Domestic consumption basis, 1991



Source: Miti

China signs deal with S Korea to develop airliner

By John Burton in Seoul

South Korean and China yesterday agreed to develop a 100-seat passenger aircraft by the end of the decade in the latest of several proposed Asian aerospace projects.

The $1.5bn (£940m) Sino-Korean project is meant to meet growing demand for regional airliners in Asia. Taiwan and Indonesia have already announced similar programmes.

The aerospace agreement was signed during the first day of a visit by Chinese premier Li Peng to Seoul, following a memorandum of understanding reached in June.

China and Korea will equally share between 70 per cent and 80 per cent in a joint venture to be formed next year. Western partners providing engine and other advanced technology would be given a 20 per cent share, while other Asian aviation companies, possibly from India and Indonesia, would be granted a 10 per cent stake.

Samsung Aerospace was recently selected to head the project's Korean consortium, which also includes Korean Air, Daewoo Heavy Industries and Halla Shipbuilding & Heavy Industries. Chinese participation is being led by Aviation Industries of China.

The joint venture is expected to select the aircraft type and foreign technical partners by early next year.

The aircraft programme has been promoted by the Korean government as one of the nation's main industrial goals over the next decade.

However, Korean aerospace companies and airlines have privately expressed scepticism about the project because of the availability of similar and cheaper western aircraft.

Korean officials argue that a domestic airliner is needed to reduce the country's dependence on imports of foreign aircraft and parts, which are expected to cost $3bn a year by 1997.

The project's development target date of 1998 is also considered unrealistic by some analysts because of the lack of aerospace expertise, particularly in Korea.

China is expected to provide most of the basic aerospace technology, while Korea's contribution will be mainly financing and production technology.

But the Sino-Korean partners still disagree over which country will be responsible for final assembly of the aircraft. China is also understood to be interested in collaborating in a proposed project to develop a 70-100 seat regional aircraft with Japan in partnership with Boeing of the US.

Indonesia, Malaysia, Singapore, South Korea, Taiwan, China and Japan have all sought to expand their presence in the aerospace industry through increased collaboration with western manufacturers as well as through their own programmes.

Australia-NZ relations clouded

Terry Hall and Nikki Tait examine Sydney's freeze on 'open skies'

The decision by the Australian government last week to freeze moves towards "open skies" with New Zealand underlines the extent to which progress in the broader trade relationship between the two countries has stalled.

Precisely why the Australian authorities chose to deny Air New Zealand's right to fly domestic Australian routes from today, which it was not, in any case, planning to do immediately, is not clear. The official explanation is that the two countries have yet to set up the borderless visa and customs arrangements which were due to accompany "open skies" and to reach an agreed stance on airline ownership and control matters.

But this is not the whole story. One possibility is that the Australian government wants to protect Qantas, the country's flagship carrier, before floating its 75 per cent interest in the airline next year.

A second view is thet the Australian authorities are more interested in achieving a further rationalisation of Australasian air services – perhaps via an alliance between Air New Zealand and Ansett, the Australian carrier that already flies domestically within New Zealand. This would extend the duopoly in the Australian market across the Tasman.

The stalling in the broader trade relationship between the two countries is in sharp contrast to the 1980s, when big steps were taken towards the creation of a single Trans-Tasman trade bloc. In 1983, the two countries signed a "Closer Economic Relations" (CER) pact under which they pledged to create a Trans-Tasman free-trade zone for manufactured goods.

CER was reviewed in 1988 and the date for free trade brought forward by five years to July 1990. At that stage, the two countries also agreed to free trade in services, except for certain exempted sectors such as aviation and telecommunications. They also promised to deepen the trade relationship through the harmonisation of business law and quarantine/customs procedures, and pledged to remove technical barriers to trade, such as product standards laws. Such was the Trans-Tasman enthusiasm, that there was even casual talk of establishing a common currency and stock exchange.

Since then, the tempo has slowed, leaving some important issues unaddressed. There has, for example, been no visible progress on key taxation matters – such as mutual recognition of franking credits to stop double taxation of dividends paid by Trans-Tasman companies – or on corporate/business law. Action in some of the more sensitive service areas, such as media and telecoms, has also been lacking.

Explanations for the change in pace are various. First, while benefits of CER have accrued to both countries, New Zealand is widely thought to have been the greater beneficiary. Australia is New Zealand's biggest buyer of manufactured goods, taking about one-fifth of its exports. By contrast, New Zealand accounts for about 6 per cent of Australia's exports.

Australia: trade with New Zealand

Source: Department of Foreign Affairs and Trade

Indeed, five years ago Australia's Bureau of Industry Economics forecast that New Zealanders would get around eight times more benefit per head than Australians.

On a longer-term view, 30 years ago, Australia exported to its neighbour four times the amount that it imported. The balance has shifted dramatically in New Zealand's favour: in the year to June, Australian exports to New Zealand were A$4bn (US$2.9bn) and its imports were A$3.2bn.

That said, the rate of growth in Australian exports to New Zealand (about 19 per cent) has outstripped import growth (15-16 per cent) over the past two years. Nevertheless, some New Zealanders suspect Canberra may have decided that the uneven benefits had gone far enough and that, in the case of the "open skies" policy, separate though it is from CER, it was time for redress.

A second factor is more political. The relationship between Mr Paul Keating, Australia's prime minister, and Mr Jim Bolger, his New Zealand counterpart, is supposedly cordial. Nevertheless, Sir Frank Holmes, professor emeritus with the Institute of Policy Studies in Wellington, thinks the last Australian election, when the Liberal party endorsed much of New Zealand's hard-nosed economic reform programme, soured Mr Keating's attitude towards Australia's neighbour. There is a feeling that Mr Keating would now like to widen the gap between the two. The atmosphere has not been helped by New Zealand's trumpeting of its recent economic performance.

A third factor may be that both countries are looking towards the fast-growing Asian markets for further export growth. This tends to diminish the significance of the Trans-Tasman relationship – although CER has been promoted as a model for the region and there are joint efforts to link CER to Afta, the free trade agreement between the Association of South-East Asian Nations. At the same time, New Zealand and Australia are competing to sell themselves as English-speaking gateways into the region.

In New Zealand there is some disquiet. There is talk of a new lobby group to give CER a new push. Mr Ted Woodford, the former New Zealand high commissioner in Canberra, said recently that CER had lost its momentum and that it was important for moves to be made at a political level to reinforce its good features. The aviation dispute seems a step in the wrong direction.

WORLD TRADE NEWS DIGEST

Nations queue to join WTO

Three countries have formally applied to join the World Trade Organisation, even though it has yet to come into existence. This is in addition to the 125 nations which took part in the Uruguay Round global trade negotiations. Slovenia, which became the 124th member of the General Agreement on Tariffs and Trade at the weekend, has already opened negotiations to join the WTO, which is due to start work on January 1 next year. Gatt will be absorbed by the new organisation.

Croatia, which applied for Gatt membership last year, now says it wants to join the WTO directly. And Sudan last week became the first country not to apply for Gatt membership at all, but to aim straight for WTO entry. WTO membership requires applicants to sign up to fair trade rules covering not only goods, as Gatt does, but also services and intellectual property. In addition, members must submit schedules of market opening commitments for goods and services agreed after bilateral negotiations with trading partners. Some 19 nations are continuing to negotiate Gatt accession, including China and Algeria which took part in the Uruguay Round. The assumption is that they will all apply to join the WTO in due course. China and Taiwan are already negotiating on services and intellectual property in readiness for WTO membership.

Among the others, the most advanced is Mongolia, where agreement on Gatt membership terms is close. A four-day meeting of the working party considering Mongolia's draft protocol of accession starts today. Ecuador has also begun tariff negotiations marking the final stage of the Gatt entry process. *Frances Williams, Geneva*

Apec confident on free trade

Mr Rusli Noor, executive director of the Asia-Pacific Economic Co-operation (Apec) secretariat, yesterday expressed confidence that the November 15 Apec summit in Indonesia would help accelerate plans to liberalise trade in the Asia-Pacific region, despite the reservations of some members. "There are certainly some sorts of concerns [on the free-trade plan] among the members of Apec," he said. Although it was not possible to assess the impact of such concerns on the summit, Apec's goals of trade liberalisation could eventually be realised.

Apec groups Australia, the US, Canada, Mexico, Japan, China, Hong Kong, Taiwan, South Korea, Indonesia, Brunei, the Philippines, Malaysia, Singapore, Thailand, Papua New Guinea and New Zealand. Chile will become a full member in November. At the summit, in Bogor, Indonesia, leaders of the 18 economies will discuss ways to remove rules that hamper trade. China and Malaysia have said they will not accept a binding timetable for free trade, while a Japanese trade official has said that, although Tokyo basically supports freer trade, it is not ready to accept blindly all proposed liberalisation measures. *Reuter, Singapore*

Coca-Cola tries for trade mark

Coca-Cola yesterday sought to register its bottle as a trade mark on the first day of applications under the UK Trade Marks Act 1994. The act allows three-dimensional shapes, sounds and smells to be protected as registered trademarks for the first time in the UK. Eight years ago, Coca-Cola failed in a test case under the old Act to register the shape of its bottle. Its new attempt is expected to be accepted.

In the first hour yesterday at the Patent Office in Newport, south Wales, 373 applications were made. They included the shape of the chocolate in a Toblerone bar, the red telephone and jingle used in advertisements for Direct Line, the British insurance company, and the smell of roses impregnated into Sumitomo tyres. In all, about 800 applications were made yesterday. *Roland Adburgham, Wales and West Correspondent*

Taiwan's trade deficit jumps

Taiwan's trade deficit with Europe rose to $2.36bn (£1.49bn) during the first nine months of this year, compared to $752m during the same period last year, sparking concern among the island's trade authorities. Exports to Europe from January to September fell 3.7 per cent to $9.25bn, while imports climbed 12.1 per cent to $11.61bn. Germany was Taiwan's biggest trading partner. *Laura Tyson, Taipei*

Japan probes dumping charges

Japan is sending two missions to Pakistan to investigate dumping charges made by the Japanese textile industry against exports of Pakistani cotton yarn, a Ministry of International Trade and Industry official said yesterday. Miti and the Ministry of Finance will send one mission in November and another in December. Both missions will check the accounts of Pakistani factories to see whether they are exporting cotton yarn to Japan at a lower price than that at which it sells domestically, the Miti official said. Japan plans to make a final decision on the case in February 1995. *Reuter, Tokyo*

Contracts and ventures

■ Siemens, the German electrical and electronics group, has set up a joint venture in Zagreb with the Croatian industrial company Koncar Holding to make power transformers and components. Siemens will be the majority shareholder in the new company, Koncar Power Transformers, and will take a 1 per cent stake in Koncar Holding. Initially, the venture is expected to have sales of DM25m ($16.5m) a year, mainly in Croatia and Slovenia. *Andrew Baxter, London*

■ Asea Brown Boveri has received an order worth approximately $150m to build a further 370MW combined-cycle gas and oil fired power station at Bundang, near Seoul, in South Korea. The order was received from Kepco, the South Korean national electricity utility. The plant, which will begin operating in 1995 in single-cycle mode, will be equipped with three ABB type-GT11N gas turbine generating sets and a steam turbo set. *Reuter, Seoul*

■ A $100m contract to upgrade and expand a chemical pulp mill at Mönsteras in southern Sweden has been awarded to Norway's Kvaerner group by Sweden's Södra Cell. The contract comes at a time of rapiding increasing pulp prices and rising demand for environmentally friendly totally chlorine free (TCF) pulp. The Norwegian company will supply a continuous digester, a TCF bleach plant and a boiler for the recovery of chemicals and energy. The moves will lift TCF pulp capacity at Monsteras by 200,000 tonnes a year to 535,000 tonnes by mid-1996. *Christopher Brown-Humes, Stockholm*

■ Spanish construction firm Dragados y Construcciones has won a Pta35bn ($278m) contract to expand the Saratov refinery in central Russia. The work, to be done over four years, follows two basic engineering contracts. Chemical Bank, the Russian American Investment Bank and Spain's Banco Central Hispano are financing the project. *Reuter, Madrid*

■ Thomson-CSF has won a contract worth Sch1.2bn ($113m) to supply 22 radars to the Austrian army. *Reuter, Vienna*

هكذا من الأصل

One pass saves frequent travellers a fortune.

Last year, British Midland successfully introduced Diamond EuroPass, an innovative money-saving season ticket for Europe.

Now we are pleased to announce a similar (and similarly unique) product that covers our major UK routes.

Our new Diamond Pass is available for flights between Heathrow and Glasgow, Edinburgh, Belfast, Leeds/Bradford and Teesside.

Priced at £699,* Diamond Pass is valid for 5 return trips over 3 months. So, as a frequent flyer, you'll get substantial savings of almost 40% compared to other airlines' business fares.

Diamond Pass holders can enjoy Diamond Service, plus full ticket flexibility, and Diamond Club membership, including access to our exclusive lounges.

So, while you enjoy all these benefits, you can congratulate yourself on the savings you've made with Diamond Pass.

And on choosing an airline that for innovation, service and value, is second to none.

For more details contact your local travel agent or call 0345-554554.

British Midland
SECOND TO NONE

DIAMOND PASS SAVINGS†

Diamond Pass						
	Heathrow to:	Belfast £381	Edinburgh £451	Glasgow £451	Leeds/Bradford £321	Teesside £361

†Compared to five return tickets at full Executive fares (excluding departure tax). All figures correct at time of going to press *From 1st November 1994 a supplement of £25.00 per book is payable to cover new UK Air Passenger Duty.

Pin-up will help re-shape Japan's politics

The nine main opposition parties are seeking a new name, writes **William Dawkins**

Japanese politics has become enlivened by Ms Fumie Hosokawa, a former pin-up whose curvaceous shape elicits the envy of half the electorate and the admiration of the rest.

Ms Hosokawa, unrelated to the former prime minister of that name, has been chosen by Japan's nine main opposition groups to join a panel to choose a name for the mega-party they plan to form next month.

They hope it will deliver the final blow to the conservative Liberal Democratic party's weakened monopoly on power. It may mark a step from the present arcane wranglings, which has left nearly 45 per cent of the electorate unable to support any political party, to a more coherent balance of power between two or three evenly-matched players.

Ms Hosokawa, a television personality who whimsically confesses she knowa nothing of politics, is a walk-on player in the newest of the series of realignments that have over the past 18 months, opened cracks in Japan's power structure and let in much fresh air in the process.

The starting signal for the latest realignment came on Sunday, when the party that triggered the present upheavals, an LDP breakway group called the Japan New party, disbanded two-and-a-half years after its formation, in order to pave the way for a merger with its eight opposition allies.

The marriage of the nine is due to take place at what is billed to be a spectacular celebration on December 10 in Minato Murai 21, a futuristic complex around the world's most expensive building in Yokohama. The organisers no doubt hope it will symbolise the new party's trend-setting aspirations.

Ms Hosokawa and the other 15 members on the opposition's party-naming panel are due to announce the title of the new group, to an orchestral fanfare in Minato Murai 21, conducted by Mr Tsutomu Hata, former prime minister and karaoke supremo. The opposition nine formed a parliamentary voting bloc last month under the name of Kaikaku, or renovation. They have been provisionally named by the local media as Shin-Shinto, or New-New party.

Nobody has suggested a catchier alternative, though a Y200,000 (£1,273) mystery gift from the opposition and a tour of parliament awaits the winner of a public competition to find one. The razzmatazz surrounding the birth of the New-Naw party, or whatever it will be called, is a consequence of the sharper competition for power emerging ahead of a new electoral system and tougher controls on fund raising to take effect from January.

The old system, in which assiduously cultivated personal relationships are what counts, is being challenged by the vote-catching smile of Ms Hosokawa and the public image of her professional political colleagues. Ideologies on each side are about the same, so presentation is what matters. This is starting to look like a US electioo campaign, the Nihon Keizai Shimbun daily complains.

A new opposition would lead to a more coherent balance of power

To accnse Japanese politics of becoming like the US may be looking a long way ahead. Yet it is true that the the present 13-party Babel that inhabits Japan's lower house of parliament is embarking on the final stage of the search for a more orderly balance of power. It might even, say supporters of reform, pave the way for an ideological debate about Japan's future.

All involved in Japan's political realignment know they must complete their regrouping soon. This is partly because the new system, which favours large parties, will take effect (barring the unexpected) in two months. To add to the urgency, Japan faces local elections next April, followed by elections for half the upper house in July. A general election could come at any time, depending on the whim of the government and the New-New party's skill in wooing defectors from the ruling side.

So it is that the old and some new relationships on both sides of parliament have been melted fast by Ms Hosokawa's smile and by the political heat to come. Soka Gakkai, the influential Buddhist movement, announced last week that it will abandon its traditionally exclusive support for Komeito, the Clean Government party, which Soka Gakkai formed 30 years ago and is now a mainstay of the opposition.

Mr Koshiro Ishida, Komeito's leader, even said he would support a former LDP man as candidate for leadership of the New-New party , so removing one of the main obstacles to agreemeot on a leader for the opposition nine. Main candidates include Mr Hata and Mr Toshiki Kaifu, another ex-prime minister. Both are former LDP heavyweights.

Existing alliances are similarly up for renegotiation among the three-party ruling alliance of LDP, Social Democratic party and New Harbinger party, former enemies who joined forces last June to oust Mr Hata's coalition government. The shared interests of the three government parties are surprisingly strong, thanks to the SDP's decision to dump most of its old foreign, defence and fiscal policies. Yet, gutted of its core ideologies, the SDP now looks ready to implode.

Mr Tomiichi Murayama, the first SDP prime minister in 47 years, admitted as much recently when he assented to plans by his party's majority right wing to form yet another new party. This would embrace like-minded politicians from government and opposition, of obvious interest as a potential ally for the new-new party.

Mr Ichiro Ozawa, power behind the scenes of the New-New party, is tentatively seeking to woo the SDP defectors to cross the floor of the house and rejoin him, just as the SDP did, to its regret, in the previous two coalition governments.

According to Tokyo political gossip, Mr Sadao Yamahana, leader of the defectors from the right-wing of the socialists, might be offered the chance of becoming prime minister of a future New-New party government, to help him make up his mind whose side to join.

The prospect of a new government under a prime minister from the same party as the old one might sound fanciful. Yet it illustrates the high-stakes bargaining now under way as Japan's fragmeoted political factions struggla to reorganise along clearer lines.

Japan's TV ratings row worsens

By Emiko Terazono in Tokyo

A row in Japan over television audience ratings is set to intensify with the launch today by Nielsen Japan, the Japanese arm of the US research group, of an automated system which measures individual viewing.

Although Japan has the world's secood largest television advertising market, marketing techniques used by advertising agencies and corporate advertisers are said to be unsophisticated compared to other developed markets, as television ratings have been based on viewing households rather than individuals.

Nielsen's plan, announced in August, has met strong opposition from the country's large television networks and leading advertising agencies, which own shares in Video Research, a television ratings company which has held a virtual monopoly of the business.

Some networks, including Nippon Television Network, are threatening to end existing contracts with Nielsen which supplement Video Research's data, unless the ratings group backs off from its plan.

Advertisers and foreign advertising agencies, on the other hand, are supporting Nielsen's move. They have been frustrated by the lack of market research and feel the changes, which will give them timely data on the age and gender group of programme viewers, are long overdue.

Bates Japan, part of the Saatchi and Saatchi advartising group, became the first advertising agency to subscribe to the Nielsen service being offered from today. "We simply owe it to our clients to give them the most accurate informatioo available about their media investment," said Mr Kim Walker, president of Bates Japan.

Criminal gun rules 'free' Cambodia

After 23 years of civil war nearly everyone is armed, writes **Jonathan Miller**

Mr Benoit Duchateau-Arminjon's La Casa restaurant in Phnom Penh set up the Cambodian capital's first pizza delivery service in September. The trouble is, last ordera have to be phoned in well before 8pm because even La Casa's pizzas are not worth dying for.

Mr Duchateau-Arminjon says it is too dangerous for his staff to be out on their Hondas after eight. The pages of the Phnom Penh newspapera testify to the alarming murder rate in the capital. Just about every day people are shot dead just for their mopeds.

Prince Norodom Ranariddh, the senior prime minister, has tired of what he sees as the negative reporting of security in his country. He frequently lectures journalists on comparative crime rates around the world. Violent crime in New York, he asserted recently, was 10,000 times worse than in Cambodia.

But such dubious statistics provide cold comfort to those unfortunate enough to be caught in one of the capital's terrifying regular gun-battles. Last month an attempted motorcycle robbery erupted into a small war outside this correspondent's house in suburban Phnom Penh. It was the third shooting incident in the street in as many weeks.

For 15 minutes, bullets ricocheted off the road and gate-posts. A waiting taxi was caught in the gunfire. Its windows were shot out and it was riddled with bullets. Local residents who did not join the fray threw themselves down on their floors. Amazingly no one was hit.

In modern Cambodia, gun law rules: nearty everyone owns one, and to prove it they all fire into the clouds during thunderstorms. After 23 years of civil war, it is a buyers' market when it comes to procuring weapons, ammunition and explosives. Anyone can buy a Kalashnikov assault rifle and a clip of ammunition for $50 on the black market.

A soldier guards a train at Kampot, southern Cambodia, as passengers get aboard through the windows. In rural areas the presence of government soldiers often provokes fear Reuter

The United Nations peace-keeping mission in Cambodia finished just over a year ago. It was hailed as a success because the UN had supervised elections which installed a democratic government. But the UN failed to deliver on its mandate in one vital area: its peacekeepers did not demobilise the four factions, whose armies were still armed to the teeth.

The Khmer Rouge have returned to the battlefield and remain a threat to national security. But the Royal Cambodian Armed Forces – an amalgamation of the three other factions – are just as dangerous. Unpaid and undisciplined, they roam the countryside, terrorising villagers, extorting money, running protection rackets, robbing, looting and killing.

Last month a report by Mr John Holloway, the former Australian ambassador to Cambodia, was leaked to the press. In his assessment of the security situation he wrote: "Rural villagers are more scared of government forces than they are of the Khmer Rouge." Few informed observers would disagree.

"Power belongs to those who have guns," says a human rights investigator in Phnom Penh. "The military are predators in this country: 60 to 70 per cent of abuses against the population are committed by the armed forces, but they are outside the law."

Earlier this year, a UN human rights report alleged that the powerful military inteltigence bureau was involved in organised crime, contract killing, torture and extrajudicial execution in the north-western province of Battambang. Senior military officera were directly implicated.

None of those named in that report was sacked. Human rights groups say government investigations have been nothing but whitewash. Their conclusion: that the lack of political will to stop such criminal activity reflects the government's fear that it will not receive western military aid if the allegation sticks.

The many local and international human rights groups operating in Cambodia say the army is out of control. Many of the reported motorcycle and car thefts in the capital involve men in military uniforms. Last month a Land Cruiser was stolen from one UN agency. It turned up in a villa owned by a colonel from military intelligence.

What is more worrying is that bundles of documented circumstantial evidence point to the fact that the rise in violent crime is being used to camouflage politically motivated killings. The outspoken editor of a popular Khmer-language newspaper was shot dead in broad daylight recently as he rode his motorcycle along a busy Phnom Penh street. Local journalists live in fear.

The next day, a car belonging to a UN human rights centre employee was stolen at gunpoint. The employee's five-year-old daughter was abducted and shot in the leg. The ceotre concluded that the attack was more than a car theft gone wrong. Other human rights groups believe the incident was in reprisal for the centre's report on military abuses in Battambang.

No one has been arrested for either crime. "And no one will be," says a human rights worker. "Because the problem is, they'll say who ordered them to do it." There are rumours that those behind the killings occupy untouchable positions within the political or military hierarchy.

The hands of police investigators might be tied, but the forces of law and order also have a pitiful reputation. The police run protection rackets too and some local residents find they have been mysteriously burgled when they do not pay up. Drunken officers are often trigger-happy too.

Cambodia is one of the poorest countries in the world and the rewards of violeot crime are considered worth the risks – which are not so high given that criminals can buy their way out of a murder charge for less than $3,000. The cost of hiring a contract killer is much less.

As one Cambodian political analyst puts it: "Today we have democracy, a free press and a free market, but people now ask how free we really are." The Cambodian people – who for successive generations have lived under god kings, military dictatora, fanatical Maoists and communists – have been left to conclude that liberty is anarchy.

INTERNATIONAL NEWS DIGEST

Kashmiris seize backpackers

A Kashmiri militant group holding three backpackers hostage has threatened to behead them if 10 of their own men are not freed from jail, the United News of India agency said. Earlier, a British Foreign Office spokesman said three Britons and an American had been captured. He named the three Britons as Paul Ridout of Dorset, Miles Croston of Buckinghamshire and Rhys Partridge of Suffolk. But hours after the kidnap claim was received, police said the American was found near New Delhi chained to an iron post, unharmed. Bela Joseph Nuss told police he had been kidnapped 10 days before.

Voice of America radio received letters containing the kidnap claim, accompanied by photographs of the hostages held at gunpoint. The group, calling itself Al Hadid, said it was based in the tribal areas of Afghanistan. Officials said they had not previously heard of Al Hadid, but five of the men whose freedom was sought were from militant groups fighting in Kashmir. *Reuter, New Delhi*.

Singapore sees cabinet woe

Singapore'a prime minister yesterday lamented the difficulty of luring talented people into government jobs. Mr Goh Chok Tong told parliament the country's government was in danger of slipping into mediocre hands that could imperil its economic success. "The task of cobbling together a good cabinet is getting more difficult as competent people prefer to work in the private sector for better salaries," he said, when presenting a plan for big salary rises for ministers and civil servants. "Unless we find several potential ministers soon, we will have a serious succession problem by 2000." *AP, Singapore*

HK video row hots up

Hong Kong broadcasting authorities showed their hand in an industry argument over how new video-on-demand technology should be regulated, saying it did not need to be covered by broadcasting laws. Wharf Cable, the territory's exclusive pay television licensee, argues video-on-demand is a public broadcast and providers should be licensed under broadcasting laws. Mr Alex Arena, director-general, telecommunications, said video-on-demand was considered a point-to-point service and not a public broadcast. "Our present thinking is that it is not appropriate to apply broadcasting regulation to a point-to-point service specifically controlled by tha customer," Mr Arena said. "The content of transmission should fall in the ambit of broadcasting regulation only if transmission is meant for general reception." *Reuter, Hong Kong*

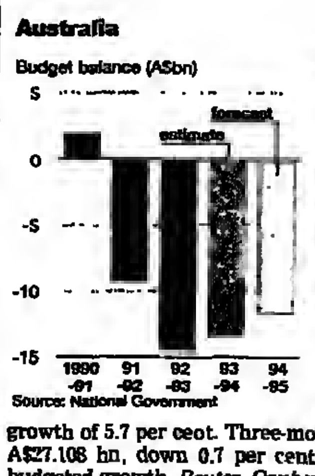
Costliest jadeite necklace

The Mdivani jadeite necklace remained the costliest piece of jadeite jewellery ever sold at auction when it realised HK$33m (£2.6m) at Christies Swire in Hong Kong yesterday. The 27 brilliant green beads are of exceptional size and purity, and are believed to have been cut from the finest gem ever found. Fashioned into a necklace by Cartier for Ms Barbara Hutton, the Woolworth heiress and valued by Cartier at $500,000 in the 1930s, the necklace was sold from the estate of the Princess Nina Mdivani at Christies Geneva in 1988. Yesterday it was sold by a South-East Asian collector to Mr Sammy Chow of the Hong Kong jewellers Trio Pearls. *Susan Moore, London*

US-China arms talks progress

Talks between the US and China on arms control had helped to narrow differences, the US side said yesterday. Mr John Holum, director of the US Arms Control and Disarmament Agency, said he had invited vice-foreign minister Liu Huaqiu to Washington in the spring for more talks. One of the issues discussed in detail was reaching an early agreement on a comprehensive test ban treaty. He repeated US concern about China's testing, which included the second test blast in four months at the beginning of October. Other issues discussed included starting negotiations on a fissile material cut-off pact, an idea from President Bill Clinton that calls for all countries to cease production of plutonium or highly enriched uranium for weapons purposes. *Reuter, Beijing*

Australian budget deficit



Source: National Government

Australia posted a budget deficit of A$4.511bn (£2.05bn) for the first three months of the fiscal year to June 30, 1995, against A$2.962bn for the same period a year ago, Finance Minister Kim Beazley said. "The relatively high cumulative deficit to the September quarter of A$4.511bn mainly reflects lower revenue collectioos, largely due to timing factors," Mr Beazley said. Spending for the year to date was A$31.619bn, up 4.5 per cent from a year ago. The May budget forecast of a full-year deficit of A$11.7bn assumes full-year spending growth of 5.7 per ceot. Three-month revenue to September was A$27.108 bn, down 0.7 per cent, compared with 8.4 per cent budgeted growth. *Reuter, Canberra*

Japan building orders fall

Orders received by Japan's 50 main construction companies in September fell 7 per cent from a year earlier, the first drop in three months, the Construction Ministry said. *Reuter, Tokyo*

Solomons without a premier

The Solomon Islands was without a prime minister yesterday after Mr Francis Billy Hilly resigned 18 days after refusing to step down when sacked by the governor-general. It is unclear who will become the new prime minister. The former Prime Minister Solomon Mamaloni had been sworn in as a caretaker premier on October 25. But it was unclear if Mr Mamaloni's caretaker role remained valid.

Governor-General Moses Pitakaka was yet to make a statement on Mr Hilly's resignatioo, and is now expected to call for nominations. Political analysts say Mr Hilly's stance against alleged exploitation of tropical forests by foreign logging companies had caused his loss of support. His resignation ended almost three weeks of political crisis, which at times meant the country had two prime ministers. *Reuter, Honiara*

India aims to curb currency inflows

By Stefan Wagstyl in New Delhi

India has ordered companies raising funds on international capital markets to keep the money abroad until it is needed for specific projects, in a move designed to curb a huge foreign currency flow into the country.

Groups will also be banned from issuing warrants, instruments which give investors the right to buy shares at a fixed price at a future date, to increase the authorities' control over Euro-issues.

The policy announced at the weekend comes after an unprecedented surge in India's foreign exchange reserves from about $1bn (£617m) at the time of the 1991 balance of payments crisis to $19bn. The inflow has been primarily caused by foreign fund managers investing funds in the Indian stock market and in the overseas stock and bond issues of Indian companies.

While the reserves, covering the cost of nine months' imports, have given India a valuable cushion against shocks in oil and other international markets, the rush of money into India has fuelled domestic inflation.

The annual rate of increases in wholesale prices has fallen from a high of about 11 per cent earlier this year to 9 per cent, but the finance ministry wants it below 7 per cent.

Indian companies, which raised $1.4bn in the year to March from international equity offerings, have collected a further $1.1bn in the first six months of the 1994-95 financial year. Applications for issues worth another $5bn are waiting for government approval.

A finance ministry official said the new rules would enable India to manage its balance of payments more easily. A senior official said the country was importing inflation through the sustained inflow of foreign exchange from Euromarket issues. In future a sudden rush of issues would no longer affect the foreign exchange accounts.

The ministry, which approves issues under guidelines established in May, said companies would be required to submit quarterly audited statements on their Euro-issues and the uses to which the funds were being put. This is to prevent money being diverted for unauthorised purposes such as financial market investment.

As for the ban on warrants, officials said the restriction was being imposed because tight rules had recently been established on the domestic issue of warrants to prevent business families, which control many Indian companies, issuing warrants to themselves at low prices. The ban on overseas warrant issues would prevent companies circumventing the domestic rules, said the officials.

In a separate measure, the ministry relaxed a ban on financial institutions tapping the international markets, giving long-term development banks the right to make issues.

● India plans further to ease foreign currency dealing rules and cut more of the red tape that has deterred some foreign investors, Reuter reports from New Delhi. "We may introduce new products for dealers to manage their foreign exchange risk," Mr O.P. Sodhani, executive director of the Reserve Bank of India, said, mentioning cross-currency options as the broad area in which changes were desirable. India switched to market-based foreign exchange dealings in 1992 by making the rupee fully convertible on the trade account under a three-year-old economic reform programme.

See capital markets

Wary businessmen welcome Mideast progress

Casablanca talks offer good contacts, but doubts remain. Julian Ozanne and Francis Ghilès report

International businessmen and bankers yesterday lauded recent political and macro-economic changes in the Middle East but delivered a hard-headed assessment of further reforms needed to open economies and stimulate large flows of investment into the region.

While more than 1,000 businessmen have come to the Middle East and North Africa Economic Summit in Casablanca, most are likely to go away with a pile of business cards and the seeds of future investments rather than signed contracts. "We've made some good contacts here, though whether anything will actually transpire only time will tell," said Mr Abraham Glezeman, president of Inter-Power, a US company seeking to develop a power plant in the Gaza Strip. "But it exceeded my expectations."

For most businessmen at the Casablanca casbah, peace moves in the region are a necessary but not sufficient condition for greater investment and better integrated economies. They want further reforms, including speeding up stalled privatisation programmes, removing trade barriers – among them the Arab economic boycott of Israel – abolishing excessive import restrictions and laws which restrict foreign equity holdings, reinforcing intellectual property rights, guaranteeing full repatriation of profits and dividends, granting better tax holidays and ensuring international mechanisms for the resolution of disputes.

Mr Tom Vaughan, a director of Unilever, said: "Most businesses have many places where they can invest their money and they are looking for a business environment of reasonable risks and good returns. It's still too early for specific deals but its very good to see Arab and Israeli delegations together talking about business, trade and economics."

Mr Sandy Allan, president of Coca-Cola Middle East, said his company had invested $350m in the region in the past five years and was seeking further expansion: "There are problems but the potential for profitable businesses in the Middle East and North Africa is still excellent."

Some bankers said they were enthusiastic about the strengthening of emerging markets in the Middle East especially in Morocco, Jordan and Israel. Mr Daniel Smaller of Union Bank of Switzerland's emerging equity markets division, said the conference "supports the view that these are exciting markets going through positive changes. For the first time the additional risk of geopolitical instability has been reduced, so price/earnings rations are expanding, providing investors with opportunities to participate."

King Hassan greets Warren Christopher, US secretary of state, at his palace in Casablanca Reuter

However, Sir William Ryrie, executive director of Barings, said that of a total $62bn of equity flows into emerging markets last year, only $200m went to the Middle East. "The peace process slightly improves our type of business," he said. "But the Middle East is way behind the game."

It emerged yesterday the first merchant bank to be set up in North Africa has just received approval from the central bank in Tunis. International Merchant Bank will have capital of between $3m and $5m and brings together individual shareholders from North African countries, institutions like the World Bank's International Finance Corporation which has contributed $300,000, and two European commercial banks – Société Marseillaise de Crédit and Creditanstalt Finanziaria, the Italian subsidiary of Austria's Creditanstalt Bankverein.

But potential investors in the tourism sector are most likely to leave Casablanca with real deals in their pockets. Unfolding Middle East peace has increased public perceptions of regional stability, opened borders and unlocked the development of multi-destination packages. Delegates are expected to establish a regional tourism promotion and marketing body.

Mr Basil Jardaneh, chairman of Royal Jordanian, Jordan's state-owned airline, said it was adding 20 flights next month.

Mr Peter Till, a vice-president of Marriott, said he was spending time at the conference consolidating a planned project in the Gaza Strip for a hotel with a private Palestinian company. He said Marriott was aggressively seeking opportunities in Israel and looking at other Middle East countries. "We are seeing increased stability and an improved business climate and we want to do more business."

Some companies are concerned about appeals by Israeli and Palestinian leaders for the private sector to alleviate poverty in Palestinian areas. "How do we square this with seeking good returns on investment?" asked Mr Peter Peterson, chairman of the Blackstone investment bank of the US.

The extent of the difficulties ahead for the Middle East in attracting private capital was demonstrated by the absence of Japanese companies. Mr Riki Kogure, head of Middle East division of Itochu, the large trading house, said only 1.2 per cent of total Japanese investment overseas went to the Middle East, largely due to a cultural gaps between Arabs and Japanese and the absence of high-level political links.

Japanese and other foreign companies will be critical to financing and executing the multi-billion dollar infrastructure projects being put forward at the summit. Mr Anthony Pellegrini, manager of the World Bank infrastructure unit, said money from domestic budgets and concessional finance was "nowhere near sufficient to deal with the infrastructure needs of the region".

Mr Eberhard von Koerber, president of Asea Brown Boveri, the Swiss-Swedish engineering combine, said the region needed $80bn over 10 years to meet basic power generation needs alone and warned: "If the regulatory environment does not allow capital to make adequate returns, then we have to be very cautious."

Bakhtiar murder trial starts in Paris

By John Ridding in Paris

The alleged assassins of Iran's former prime minister, Mr Shahpour Bakhtiar, will go on trial in Paris tomorrow in a case which is likely to further strain relations between France and Iran.

The trial will focus on whether Mr Bakhtiar, the last prime minister of the late Shah of Iran, was killed on the orders of Tehran's Islamic government. Three Iranians, including a relative of Mr Ali Akbar Hashemi Rafsanjani, the country's president, will answer charges for the 1991 assassination. Six others will be charged in absentia.

The Iranian government has denied any involvement in the killing, which was one of dozens of assassinations of opponents of the Tehran regime over the past decade. But Mr Jean-Louis Bruguière, a senior investigating judge, claims that Iran's secret services were involved in the crime.

The French government has implemented tight security at the Palais de Justice, where the trial will take place. The case, to be heard by seven magistrates, is expected to last about a month.

Relations between France and Iran have been damaged by Tehran's support for Moslem fundamentalists seeking the overthrow of the military-backed regime in Algeria, a former French colony, and by a French crackdown on Islamic fundamentalism.

Following the assassination of five French nationals in Algeria in August, the French interior ministry introduced sweeping stop-and-search operations and interned 26 suspected Moslem militants. Last week the government said it would enforce a ban on wearing Islamic headscarves in secular state schools.

Twenty-five students have been expelled from French schools for wearing headscarves. Mr François Bayron, the education minister, said he had ordered schools to bar "ostentatious religious symbols" and said there were few alternatives to expulsion when persuasion failed.

The move has brought an angry reaction from Iran and from other Islamic countries.

Pressure for compromise on Post Office sell-off

By Kevin Brown, Political Correspondent

Mr Kenneth Clarke, UK chancellor, is under pressure from senior ministers to accept compromise proposals for Post Office commercialisation within the public sector.

They hope to agree a plan in time for a bill to be included in the Queen's speech on November 16 setting out the government's legislative programme for the coming parliamentary session.

The cabinet'e industry committee is expected to meet tomorrow to decide how to give the Post Office greater freedom without risking defeat at the hands of backbench Conservative rebels opposed to privatisation.

Ministers hope the cabinet will on Thursday be able to approve a partial sale. But a decision may be put off until Thursday next week if the committee fails to thrash out a compromise.

Mr John Major is understood to have told ministers that, if necessary, the Post Office bill could be held back from the Queen's speech and introduced later in the parliamentary session.

Mr Michael Heseltine, trade and industry secretary, remains committed to the sale of 51 per cent of the Post Office, which he believes would send a powerful signal of the government's continuing commitment to economic reform.

But the government's business managers have warned ministers that privatisation would be opposed by up to eight Tory backbenchers, implying certain defeat for the bill unless some of the nine Ulster Unionist MPs abstained.

Mr Heseltine will meet the rebels tonight in a final effort to persuade them that fears for the future of rural post offices and the universal pricing system have been overstated.

The compromise proposals focus on the sale of a minority shareholding combined with freedom from government borrowing controls. Sucb a structure would keep the Post Office in the public sector while satisfying management demands for greater freedom to compete.

There is substantial support for a compromise among senior ministers, many of whom doubt the wisdom of risking a parliamentary defeat in pursuit of privatisation. However, the option of commercial freedom within the public sector has been vigorously opposed by Mr Clarke on the grounds that state-owned companies cannot be exclnded from the public sector borrowing requirement.

Other compromises being discussed include a phased sale of a majority holding, which would give ministers time to convince backbenchers that privatisation need not threaten rural services.

Rebel backbenchers said they would vote for a minority sale. "My main concern is to keep the Royal Mail in the public sector," said Mr Stephen Day, Conservative MP for Cheadle.

Milk price rises after industry shake-up

Deregulation of the UK milk market has already hit consumers with an increase of 2p (3c) per pint in some doorstep deliveries yesterday and e similar rise today in some supermarkets, Alison Maitland writes.

Tesco, the supermarket group, announced that e pint of fresh milk would go up by 2p, or 7.7 per cent, to 28p because of the rise in the cost of raw milk resulting from the marketing errangemente which take effect today.

It said it would keep cheese price increases to 5 per cent in spite of e 20 per cent rise in wholesale milk prices to cheese makers.

British cheddar will rise shortly by 10p a pound to £2.05 and butter by about 8p e pound in a few weeks.

Tesco blamed the increase on "inflationary pressure" caused by the new marketing eystem, which replaces the statutory Milk Marketing Board with a voluntary producers' co-operative, Milk Marque.

The British government argues that the new system will lead to e shake-out of excess capacity devoted to low-valne commodity products such as butter and skimmed milk powder. This will create a more efficient industry and benefit consumers by reducing Britain's reliance on high value-added dairy imports, it says.

Lex, Page 20

Engineers from English Heritage and contractors John Mowlem Construction yesterday started work on the £14m restoration of the 19th century Albert Memorial in Kensington Gardens, central London. The centrepiece is an 18ft statue of the Prince Consort. AP

IRA accused on road checkpoints

Sir Patrick Mayhew, the senior UK minister responsible for Northern Ireland, called yesterday for an urgent police report amid claims that armed and masked members of the Irish Republican Army mounted checkpoints on roads in the city of Londonderry over the weekend. Sir Patrick said he viewed the claims "extremely seriously".

He gave the firm impression that the results of the police investigation, and continuing IRA punishment attacks in nationalist areas of Northern Ireland, could have a bearing on whether preliminary talks between UK government officials and the Sinn Féin party – the political wing of the IRA – start before Christmas.

There were several reports to police on Friday and Saturday night that armed and masked men claiming to be from the IRA set up checkpoints and stopped motorists.

Mr Martin McGuinness, a senior member of the executive of Sinn Féin, claimed that the ections were "Hallowe'en pranks". Police said they verified reports of masked men stopping motorists, but only one anonymous report that they were armed.

● EU foreign ministers yesterday approved e £12m rise for the International Fund for Ireland over the next three years, taking the total to £48m.

The increase was proposed by EU Commission President Jacques Delors soon after the IRA ceasefire and nodded through by the ministers meeting in Luxembourg. Euro-MPs must now give their go-ahead.

The stock exchange and the beadqnarters of the Lloyd's insurance market were among potential London targets for an IRA bombing campaign planned for earlier this year, e jury at the Central Criminal Court was told yesterday. Lists of military, political and economic targets were found written on cigarette papers inside the wallet of e college lecturer, e senior government law officer stated. A plea of not guilty to plotting to cause an explosion was entered on behalf of Mr Feilin O'Hadhmaill, aged 35, of Accrington, Lancashire.

Fayed attacks minister again

By Robert Peston

Mr Mohamed Fayed yesterday renewed his onslaught on Mr Jonathan Aitken, e junior minister at the Treasury, by alleging that there were "discrepancies" in Mr Aitken's account of how he settled his Fr8010.90 bill for e weekend et the Ritz Hotel in Paris.

Mr Aitken last week faced allegations that he had allowed a businessman, Mr Said Ayas, to pay just under half the cost of his stay, without declaring this alleged gift.

He then attempted to defuse the allegations by saying that the bill had been settled in full, but in two stages. An initial payment of Fr4257.00 in cash had been made by his wife, who had not been staying with him at the Ritz, when Mr Aitken checked out of the hotel.

She had paid less than the full Fr8010.90 because of a billing error, Mr Aitken said. The balance was then settled by Mr Ayas, to whose hotel bill the costs of Mr Aitken's stay had been transferred.

Mr Aitken said that once he realised that his wife had paid too little, he paid Mr Ayas what he owed him.

However, Mr Fayed, who owns the Ritz and is conducting a campaign to destabilise the government, yesterday attempted to pick holes in Mr Aitken's explanation in two respects.

He said he had checked with the cashier at the Ritz and had been told that the "brunette lady" who settled Mr Ayas's bill with a cheque for Fr117,008 "was the same person who paid the cash sum Mr Aitken says was paid by his wife".

This "brunette lady" also said to the cashier that she had been paying "other bills at the George V and the Intercontinental". Mr Fayed continued: "Unless Mrs Aitken was also paying the other cheques to the other hotels, the brunette in question was working on Mr Ayas' staff".

Mr Michael Cole, speaking for Mr Fayed, said there were also peculiarities about the documentation Mr Aitken had produced as evidence that he had paid the balance to Mr Ayas.

Last Fridey, Mr Aitken reproduced copies of a cheque for £426.88, roughly the amount owed, which was made out to Mr Abdul Rahman, an associate of Mr Ayas.

However the details on the cheque did not appear to be e perfect match with details on Mr Rahman's bank statement, which was reproduced in the Daily Mail last Saturday.

The etatement of Mr Rahman's account at the Arab Bank (Switzerland) says that a cheque "du 31.3.94" was paid in to Mr Rahman's account. This seems to imply that the cheque was dated "31.3.94", though Mr Aitken'e cheque is in fact dated "21.2.1994".

The statement also epparently says that the amount deposited was £426.80 – though the final "0" is unclear on the reproduction – compared with the £426.88 of the cheque.

EU backs £176m assistance for region

By Ian Hamilton Fazey, Northern Correspondent

A £176m ($278m) package of European Union and UK public and private sector spending on 780 projects to start reviving the flagging Merseyside economy will be announced by the British government today. More than 400 projects in the deprived region of north-west England were rejected.

The money opens a £1.6bn programme over six years, underpinned by £630m of EU grants under Objective One status. This entitles Merseyside to special help because its output per head is less than 75 per cent of the EU average.

The £176m – made up of £75m each from the European Commission and UK public sector and £26m from industry and commerce – will go to providing 25,000 training places, 3,900 new jobs and 341,000 sq ft of modern industrial space, as well as preparing 291 acres of land for development.

The EU grants are split 56 per cent-44 per cent between regional development and social funds, a marked shift from government proposals earlier this year which would have used most of the money for social purposes, mainly training. The Commission thought not enough was being done to create jobs.

Projects include:

● A £43m programme to improve industrial estates and £3m for the port of Liverpool.

● A grant of £1m will help fund an initial £2.78m campaign by a partnership of local authorities, universities, colleges, industry and commerce to improve Merseyside's poor national and international image.

● More than £4m will be spent on an area of Liverpool city centre blighted for more than 20 years by aborted property development schemes.

● Nearly £2.5m will improve the A565 trunk road linking Liverpool, the docks at Bootle and the coastal commnter towns of Crosby, Formby and Southport.

هكذا من الأصل

A new breed of engine. The same breed of Saab.

(Or proof that big can be beautiful, too.)

At Saab, we have a tradition of making powerful engines compact and efficient. That's why we've resisted the idea of simply increasing the size or amount of cylinders to add performance.

Consequently, the Saab view of the V6 engine has tended to be on the frosty side. But lately, there's been a perceptible thaw.

The reason is the development of a new kind of V6. The one you'll find in our new Saab 9000 CD saloon. This isn't an ordinary V6 engine. Any more than the 9000 CD is an ordinary car. It's the kind of car that's big in terms of space and performance and comfort but very modest in terms of weight and fuel consumption and engine emissions.

It's big. But it's not stupid. At heart, it's still a Saab.


THE FIRST SAAB, 1947.

INNOVATIONS.

Consequently, we've given the Saab 9000 CD 3.0 V6 a number of technical innovations you don't normally see on a V6. A new three-step variable intake manifold that delivers consistent power throughout the rpm range. A Motronic engine management system that constantly monitors engine emissions. And TCS (Traction Control System), a feature that significantly reduces wheelspin. They're the sort of features that do something useful without drawing attention to themselves. Very Saab.

BIGGER ON THE INSIDE.

We tried to design the body on equally generous but practical lines. We made sure it gives you plenty of room for heads and legs and feet and bottoms and luggage (the Saab 9000 is one of the few European saloons classed as a large car in America). Yet it doesn't force you to take up unnecessary road space. It's one of those cars that seems a lot bigger inside than outside.

LOW KEY.

It's the same with the fittings. The 9000 CD is truly luxurious without banging on about it. You can have the wood, the custom designed audio, the highly sophisticated alarm system, the natural glove leather. It even has reading lights in useful places. Yet it's all low key, unobtrusive, functional. It's not trying to make an impression. It's trying to make you feel comfortable.

THE PERFECT PARTNER.

In spite of its size, the new 3.0 V6 engine is true to the basic Saab values. It's compact. It's efficient. It's environmentally friendly. Yet it gives you the superbly comfortable ride and smooth power surge of a true V6. It's the perfect partner to our turbo, supplying a different kind of motoring to a different kind of driver.

FOR PERSONAL REASONS.

We know that everyone has their own reasons for choosing a Saab.

So if you're a V6 driver looking for some interesting twists on a familiar idea, consider taking a test drive. It might be interesting to experience this new breed of engine for yourself.

SAAB

FOR FURTHER INFORMATION, A TEST DRIVE OR DETAILS OF OUR INTERNATIONAL/DIPLOMAT SALES PROGRAMME CALL SAAB INFORMATION SERVICE ON +44-71 240 3033 OR FAX TO +44-71 240 6033.

Banks criticise EU capital directive

By Norma Cohen,
Investments Correspondent

Leading investment banks in the City of London fear that a European Union directive aimed at cushioning securities firms against shocks in the financial system will force them to hold more capital than their competitors in other countries.

They are asking the Treasury to interpret the Capital Adequacy Directive, which takes effect in January 1996, in a manner which will allow some firms to hold less capital than that required by Brussels.

"These issues are particularly acute for London given the nature of the business here," said Mr Kit Farrow, director-general of the London Investment Banking Association, whose members are the City's biggest firms. "It is in the UK where the trading activity is more developed. Even Continental banks tend to run their trading books out of London," he said. "It may not be very difficult for them to book the business elsewhere rather than in London."

London firms have been particularly critical of the CAD, which they claim reflects a political compromise between member states where securities industries vary greatly. It is understood to have been heavily influenced by the German universal banks which typically have much more capital than is required by regulators and which do not take large trading positions. "It's like trying to devise e set of traffic laws for countries with high-performance sports cars and those which only use bicycles," said the finance director at one investment bank.

The CAD says that the "trading book" of an investment bank should be separated from the "banking book" with a more liberal regime applying to the former. However, current UK rules do not make any such distinction, but view the risk activities of investment banks in their entirety.

In particular, the London Investment Banking Association is concerned about CAD rules which, unlike those now spplied by UK securities reguletors, do not lower the capital requirements for firms with diversified portfolios. Also, the CAD does not rednce capital requirements for holding securities which offset each other's risks. The association will today receive a boost from publication of a Bank of England quarterly report highly critical of the CAD. The Bank (the central bank) will release its own interpretation of how the CAD will apply to securities activities of banks at the end of November.

Mr Dale argues that "the idea of segregating one part of e bank's business – its securities trading operations – and applying separate and distinct definitions of capital and capital adequacy to the different parts, appears to make little prudential sense."

Lex, Page 20

Bonuses give strong boost to directors' pay

By Robert Taylor,
Labour Correspondent

Britain's top company directora are continuing to enjoy earnings rises substantially higher than either the rate of inflation or ths increases awarded to their employees, says e survey published today.

The number of UK companies where the chief executive earns more than £1m ($1.58m) e year doubled from eight to 16 in the past 12 months, eccording to the study by Monks Partnership, the independent remuneration adviser.

It found that the highest-paid directors in the country's biggest industrial companies – with annual turnovers of more than £400m – secured 9.0 per cent median earnings rises, three times the level of rises received by the employed workforce as e whole.

While the best-paid chief executives in the financial sector enjoyed total median earnings increases worth 7.3 per cent, rises of 5.8 per cent were recorded for top directors in companies in industry and commerce, taking their remuneration from £130,000 to £137,000 a year.

The survey points out that the rate of increase in executive pay in the industrial sector has slowed to its lowest for five years. More than e quarter of commercial and industrial best-paid directors received no rise at all – on the other hand the top quarter enjoyed total earnings improvements worth et least 18.9 per cent.

The growth in executive pay reflects an increase in bonus payments. In companies with annual turnovers of more than £400m these amounted to rises of 4.1 per cent. In enterprises with turnovers £30m and £100m they were 1.1 per cent.

Bonus payments make up an average 18 per cent of fixed pay and contribute just over 15 per cent to the earnings of the best-paid directors. In the finance sector they amount to 22.4 per cent of fixed pay. The survey reveals wide differences in executive earnings increases between industrial sectors.

The biggest earnings growth has been in the retail and distribution sector with a 9.1 per cent improvement in earnings (6.0 per cent in fixed pay plus 3.1 per cent from bonuses) followed by electrical engineering and electronics with 8.4 per cent and leisure and services with 7.7 per cent.

The smallest earnings rises were found in the building materials and construction, where top executives averaged only 2.7 per cent increases.

BT to cut personnel staff

British Telecommunications is cutting its 4,000-strong personnel staff by nearly 50 per cent, onr Labour Editor writes. The heaviest cuts will be in the areas of training and general administration. Some less specialist training functions will be contracted out to outside training providers, and line managers will take on far more personnel functions.

Under the reorganisation, which the company has named Break-out, BT departments are required to test what they are contributing to the company and assess whether it would be better contracted out.

"We thought for a long time that we should be able to run at about half of our current size," said Mr Peter Archer, head of personnel at BT. "We then had extensive discussions with our internal customers about what they wanted from us and what they were prepared to pay for, and we have decided that a cut of between 40 and 50 per cent is about appropriate."

He said that specialist training would remain in-house but "generic" training such as welding or computer skills could be done more effectively by external trainers.

The personnel function has played a leading role in the overall reduction in BT's employee numbers from 230,000 in 1990 to 148,000 now. The company has said it will seek to evold compulsory redundancies, and has so far done so.

BT has said that it is keen to retain national rules on principal issues such as pay and redundancy procedures, but union officials say that there is a growing tension between the centre and the divisions. "There will be some tension but I think it is generally a healthy one," said Mr Archer. "The personnel function may have been too dominant in some areas."

Baby Bells venture, Page 21

Rover workers accept 10.7%

Workers at the Rover car company have voted narrowly to accept e pay deal that will give most of them a rise of 10.7 per cent over the next two years, union officials announced yesterday, our Labour Correspondent writes. The vote in e postal ballot was 11,993 to 11,102 for a package seen by many observers as over-generous and a dangerous pointer for pay claims elsewhere.

The unease reflected by the result seems likely to add to wage pressures at the UK factories of Nissan and Peugeot-Talbot, which are about to negotiate deals with their employees. "The closeness of the result reflects the complexity of the deal and the frustration among the workforce still undergoing major changes", said Mr Tony Woodley, national officer for the car industry with the Transport and General Workers' Union. An official et Rover, an offshoot of BMW of Germany, said the company "welcomed" the result.

The deal provides a 3.7 per cent general pay increase from next month and either a further 4 per cent in November next year or an amount equivalent to the rate of inflation, if that is higher. But most Rover workers will gain extra pay as a result of changes in grading. Unions have calculated that this will produce Increases of about £5 ($7.90) a week in the first year and a further £1.86 a week in the second.

Unions and management at the Jaguar car company, a Ford subsidiary, believe that a strike can be evoided even though a ballot is being held among workers who heve rejected an offer of a 7.5 per cent pay rise over two years. Further talks will be held about the offer before the ballot result is declared

UK NEWS DIGEST

Inflationary pressures gather pace

Further signs of UK inflationary pressures yesterday increased speculation that Mr Eddie George, governor of the Bank of England (the central bank), will argue tomorrow for an increase in base rates when he meets Mr Kenneth Clarke, the chancellor of ths Exchequer. Expectations of a rate rise helped sterling climb against the dollar and the D-Mark, with the pound reaching its highest level on a trade-weighted basis since the end of February.

Two economic indicators published yesterday – the narrow measure of money supply (M0) and the purchasing managers' index – appeared to point to an inflationary build-up. M0 grew et 7.3 per cent in the 12 months to October, its fastest annual rate since January 1989, while a survey of purchasing managers found that 50.4 per cent said they paid higher prices for their manufacturing purchases in October.

Both measures have previously been cited by the Bank of England as cause for concern. When Mr George met Mr Clarke to discuss rates early in September, the governor cited the purchasing managers' survey as an argument for increasing rates. The chancellor subsequently raised base rates from 5.25 per cent to 5.75 per cent.

The Bank's latest inflation report will be pnblished today and will be scrutinised for further clues to the likely future path of interest rates. The governor has argued in recent speeches that the bond markets are overestimating the potential for e rise in inflation. "There are relatively few immediate signs that inflation is abont to pick up strongly" he said last week.

Hospital agreement

Health Care International, the private hospital near Glasgow in Scotland which last month encountered a financial crisis only three months after opening, yesterday announced agreements with two Middle Eastern governments on providing medical services. It has agreed terms for giving medical treatment in Scotland to employees of the Egyptian defence ministry and their dependants. It has also signed e contract with Lebanon's bealth ministry for treating Lebanese citizens. The contracts come as the company continues to talk with banks and investors on recapitalisation.

Drug tests for soldiers

All British soldiers will face random drug tests from the middle of next month in e drive against growing drug abnse to the army. The move would bring the British army into line with US forces. "Drug abuse is on the increase in society generally," said a defence ministry official. "As we recruit from society, it is toevitable that our concern should consequently increase."

Until now tests have been given only to people suspected of taking drugs. Drug abuse by a soldier could lead to a prison sentence and dismissal from the service. Officials said random testing would eventually be extended to the Royal Navy and Royal Air Force.

● Two men aged 25 and 26 appeared in court yesterday accused of attempting to murder two unarmed undercover policemen shot during a crack cocaine raid in Birmingham last week. They were also charged with carrying a firearm with intent to commit an offence. A third man aged 24 was accused of supplying crack cocaine and possessing herbal cannabis. The two policemen were still in hospital yesterday.

Curb on superstores

Further construction of out-of-town shopping centres and superstores should be restricted to protect the landscape, the House of Commons environment committee will recommend today. Its proposals will mark a further attack on large developments in the countryside which encourage greater use of cars.

They will follow last week's report by the Royal Commission on Environmental Pollution which recommended a doubling of petrol tax and halving of spending on new roads in a bid to avoid unacceptable levels of environmental damage. The environment committee will call for stronger curbs on out-of-town developments which damage the environment and take trade away from town centres.

It recommends that government planning guidance should be amended "to include a presumption that superstores are best located in or on the edge of town centres unless there are very strong indications to the contrary." This would go further than government advice to town planning authorities in July.

Lecturers under stress

College lecturers are being driven to the verge of nervous breakdowns by stress and overwork, said the National Association of Teachers in Further and Higher Education, a trade union. "Overworked stressed-out staff cannot deliver the education students deserve and their future employers need," said Mr Derek Betts, the union's head of policy.

He was commenting on research by the Nstional Foundation for Educational Research which pointed to mounting pressure, with nearly eight out of 10 lecturers feeling they were working under unacceptable stress levels. One in four lecturers surveyed said they had taken time off for stress-related illness. Most blamed new styles of administration and excessive workloads.

Scottish exports rise

Manufactured exports from Scotland rose 19 per cent at current prices in the 1993-94 financial year to reach £11.5bn ($18.2bn), accounting for 10.3 per cent of the UK's manufactured exports. Exports by Scotland's large electronics sector grew 41.5 per cent while whisky exports rose 7 per cent and exceeded £2bn for the first time. Scotland's single biggest export market was France, replacing Germany which held that position in the previous year.

TECHNOLOGY

Cast in a new strength

Deborah Shapley looks at a method of reinforcing ceramics

Clay has been fired into many different objects since ancient times. But even the loveliest Greek urns were of limited use because ceramics, although hard, chemically stable and heat resistant, lack toughness. Ancient urns did not corrode as they lay under the sea or buried on land, but they broke, so that archaeologists often find them as pieces.

Modern science has improved on the ancient clays, but in manufacturing, ceramics are still passed over for metals which are rarer and more costly but stronger.

Aluminium does not oxidise, or rust, under normal conditions. But it can be oxidised into hard, irregular blobs when it becomes molten, under certain conditions in a furnace. In aluminium smelters these are sometimes found as coral-like growths along furnace walls. Furnaces have to be shut down while the blobs are drilled off. That is the rub: the oxidised aluminium is transformed into a tough ceramic.

In the 1970s, Marc Newkirk, a young engineer working in his father's furnace-making business in New England wondered if this natural growth could be directed to produce the ultra-strong ceramics long sought by science.

Newkirk created the Lanxide Corporation in 1983. Today it makes items for industries including electronics, steel processing, mining, semiconductors, sports and automotive. The group is capitalised at $350m (£219m) and sales in fiscal 1994 were $20m. Its partners include Alcan and Du Pont.

Lanxide's work, presented in Washington recently at a symposium* on materials, is one of the leading US advances in ceramics.

Newkirk first directed the oxidised aluminium growth through ceramic fibres, making a ceramic version of fibreglass. He then tried to make blocks of cheaper reinforcing material such as silicon carbide, placing them next to the aluminium and heating both. He discovered that the hot aluminium oxidised into and through the reinforcing material, filling all pores like a glue.

When cooled, the block of silicon carbide had become a reinforced ceramic, with particles dispersed throughout, strengthening it uniformly.

Coatings for the reinforced materials were discovered that stopped the oxidation process at the boundary. These processes opened the way for large-scale, cheap production of tough ceramic items in very precise shapes. By varying the reinforcing material and metal (titanium works, too), "engineered ceramics" can be produced to pre-determined weight and strength.

The second important invention came from a failed experiment, when a Lanxide inventor heated aluminium next to a ceramic preform in an atmosphere of nitrogen instead of air. The metal failed to oxidise. Instead it shot quickly into the adjoining ceramic. This proved to be a remarkably simple way to make a ceramic-reinforced aluminium.

Among many objects, Lanxide now casts avionics chassis for US military aircraft in a single piece, which are a third the weight of ordinary aluminium chassis – the reinforced material is actually heavier, but because it is stronger, it can be crafted into much smaller components.

Lanxide spins off applications of its core processes into separate businesses with partners who bring resources and experience.

Alcan of Canada was Lanxide's first important partner. Alanx, makes pumps and ceramic "chokes" that link pipes carrying slurry from mines, which the company says last eight times longer than standard ceramic pipe chokes. In Japan, Lanxide and Kanematsu formed Klanxide KK, as the focus of future business there. "Talks are under way" with possible European partners, adds Newkirk.

**Seminar sponsored by the Okinaga Foundation and the National Association for Science, Technology and Society: Penn State University, State College, Pennsylvania, 16802.*

Claire Gooding looks at a computer system that helps doctors offer patients a better service

Healthy records

After 30 years as a general practitioner in Britain's National Health Service, Michael Shapland is still developing new skills. He has to respond to medical and pharmaceutical developments, to health service reforms and, not least, to the demands of patients in his Oxford practice.

In Shapland's consulting room, a box of patient notes is on the desk next to the computer, ready for afternoon surgery. His computer is a standard PC, but it supports a system called Horizon, which runs the practice.

Shapland still uses paper records but patients coming into his room are likely to find their records on screen. These can be updated with any information, such as about a smoking habit, that has changed since their last visit. Referrals or other relevant details are also in the system.

Shapland's portable laptop computer is a vital source of information on emergency visits. The data it holds on pharmaceuticals and prescriptions alone forms a vast database, including all the generic and proprietary drugs in the GP's compendium.

Unlike most software built for GPs, the "intelligence" built into Horizon cross-references any drug to the individual patient, alerting the prescribing doctor (who may not be the patient's usual physician) to allergies, side-effects, or reactions to other medication. The combination of warfarin with aspirin, for example, throws up an alarm: both drugs thin the blood, in different ways.

The system also deals with administration, including statistical returns to the Family Health Services Authority and repeat prescriptions for the 4,500 patients cared for at the Donnington Health Centre, where Shapland's practice is based. Three practices share the centre, along with its nurses and other clinical resources.

SOFTWARE AT WORK

Horizon's unusual dynamic facility means the the system can "learn" from changes in a pattern. For example, it can note the sudden popularity of a newly-prescribed drug, and add it to the list it presents as optional treatments for a particular condition.

This artificial intelligence, known as a neural network (because it mimics the way the human brain makes connections), makes the system attractive to researchers and hospital clinicians, who make up the majority of Horizon's 100 or so users worldwide. The system is available in several languages.

Colin Beere

GP Michael Shapland at his soon-to-be paperless computerised surgery in Oxford

In Switzerland, Horizon is used for reporting on epidemiological studies and for microbiological research. Kurt Eggenberger, a paediatrician in private practice in Yverdon, outside Lausanne, uses the system in his own clinic, and for research into viral and respiratory infections in children, working with research groups in Geneva. "Nothing else I heve found can carry out such versatile clinical analysis, and report on disease occurrence in this way," he says.

At their Oxford practice, Shapland and his partner David Thurston cover areas including Littlemoor and the Blackbird Leys estate, where there have been big job cuts in the car industry.

"Unemployment has caused some hardship. The computer doesn't improve your gut feel after 30 years here, but it enables you to analyse it and produce real figures to prove your case," says Shapland.

Thurston says Horizon has helped with his special interest in psychology. For example, an analysis of suicide rates showed him that of 65 intentional overdose cases, more than half were aged between 14 and 30. Nearly twice as many of them were female as male, about 15 per cent are unemployed, and a high percentage live on the Blackbird Leys estate.

A seasonal pattern emerged: extremes of weather trigger an upturn in suicide attempts. "Things that may not seem obvious become significant as you play with the data," says Thurston. "Once you have spotted a pattern, you can do something about it, like monitoring vulnerable patients more carefully in July and January."

The system also enables the practice to verify its targets under National Health Service reforms. These include preventative measures, such as checks on people over 75 years old, immunisation for infants, and cervical smears. Targets are based on percentages: a 50 per cent reach for cervical smears earns less for the GP than the government's 70 per cent target. Scaled payments to GPs are based on performance.

Shapland also runs clinics for asthmatics and diabetics. With a few keystrokes, he shows a list of asthma patients and a graphic breakdown, by age, showing the percentage of the 255 sufferers that are in the toddler to teenage range.

It was this complexity and power, coupled with simple access, that impressed Shapland when he saw the Horizon system at a medical computer show in 1989.

"I realised I wouldn't have to lose my staff for endless weeks of training because this system tells them what to do as they are doing it."

Horizon replaced a Meditel system, in use since 1986. It operates on four linked – or networked – 286 PCs. The system sells on a "turnkey" basis with hardware, software and support in a provided package by the Leicester-based developer Horizon Software. It costs the practice £3,000 a year on a lease basis, plus a £1,600 yearly maintenance charge.

Linda Gardner, the practice manager, sees time-saving as the greatest advantage. "It's invaluable for the annual statistics we have to return every June," she says. "You could never plough through all the notes by hand, but we can analyse our patients' records from any angle, which is invaluable."

Horizon users can access records by patient name or names, or addresses, useful where a family has several surnames under one roof. There is a record of medication, whether the patient lives alone, and a notes section for any extra information. Drugs and diseases are coded for quick access and analysis, so that users rarely have to type in complex names.

For the sector as a whole, Shapland believes the NHS has taken a piecemeal approach to computerisation, slowing the move towards umbrella systems that would enable GPs and hospitals to exchange information via computers and telephone-linked networks. Not one UK hospital, in his opinion, has a really good all-embracing system in place.

Making a costs diagnosis

Patients in the UK are getting used to seeing a computer on their doctor's desk. Eighty per cent of general practices in Britain have a computer to help manage patient records.

While some sorts of data have always been demanded by authorities – on the occurrence of certain diseases, for example – additional requirements have resulted from the cost-conscious reforms of the 1980s. The NHS had formerly required few costs measurements, and doctors were inexperienced in "budgeting" patient care and drug costs. Almost overnight, a new market for software suppliers appeared, selling systems to doctors who were novices at both computers and business administration.

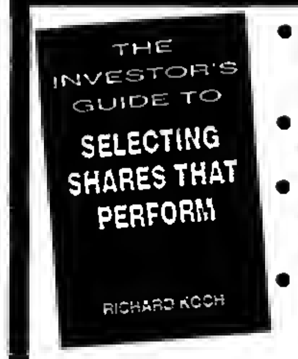
Doctors suddenly had to monitor costs, especially prescription expenses, an exercise that would have been impossible based purely on paper-based notes.

Many doctors installed their first systems in the late 1980s, aware of an increasing need to measure drug-related costs, and other resources used by patients. The two most widely sold systems, Vamp Health (2,000 sites) and AAH Meditel (1,289 sites), were both developed by British companies that were acquired by pharmaceuticals companies.

The recent emphasis on preventative medicine has put extra tasks on the doctors' agenda. Their pay levels are now linked to fulfilling preventative duties, including immunisation, cervical smears and check-ups on the elderly. Doctors must be able to satisfy their local Family Health Service Authority that they have achieved set percentages of their patient quota to qualify for performance-related pay.

Practices can now apply for fundholder status, which allows doctors a budget for patient care, and gives them control of how it is allocated. To qualify for fundholder status, doctors must be able to deliver the appropriate statistics, which means computerisation must take place at least a year beforehand.

GP fundholders get all software expenses and 75 per cent of hardware costs reimbursed by the FHSA. Non fundholders get up to half of entire system costs, including maintenance.



هكذا من الأصل

MANAGEMENT: THE GROWING BUSINESS

In a Nutshell

The cheque's in the wild excuse

You have heard of the excuse that the cheque's in the post. But what about "the cheque's in the goat"?

Pressed for payment, one South Wales engineering firm told the insistent caller from a factoring service that its invoices and cheques books had been eaten by a goat that had climbed into the building.

The story comes from Barclays Commercial Services, the factoring and invoice discounting subsidiary of Barclays Bank, from a list of imaginative excuses offered it in 30 years of collecting payments.

Other evasions included "my managing director is abseiling down our building for charity, can he call back tomorrow?", and "I'm sorry no one can help you, the accounts department are on a credit control course".

Then there were the calls indicating all was not well: "I'm sorry, the finance director has taken the cheque book to pay the bail of the sales director."

The most outlandish excuse came from an independent financial adviser who claimed that "the building was ram-raided last night and our accounts records are under a Ford Cortina in the front office".

Price of turning green

The British Chambers of Commerce estimates that businesses with up to 50 employees are spending up to £1.85bn a year between them complying with environmental legislation. These costs are not being offset by efficiency savings, according to Richard Brown, deputy director-general of the BCC.

The estimate is drawn from a survey which shows that smaller companies are turning greener because of legislation rather than market pressure.

**Environment – The View of the Small Firm, from the British Chambers of Commerce. Tel 071 222 1555, price £60.*

Derek Morris, chairman of DM Foundries: 'We're plagued by consultants who think they know it all. But we were amazed'

All change at the factory

A DTI project to encourage innovation surprised companies with its success, writes Roland Adburgham

When Robin Enderby was phoned by the Department of Trade & Industry to ask if his company would take part in a pilot programme intended to encourage innovation, he was sceptical.

"I detest red tape, bureaucracy, planning departments, consultants and banks," says Enderby, chairman of Blow Moulding Controls, a Gloucestershire manufacturer employing nearly 50 people and with annual sales of £3m. "I was very reluctant to get involved – I was the last guy in the world who wanted to know about it."

The DTI caller, Doug Ponsford, persuaded him that a company could be transformed by the programme's method of managing continual and incremental change. In consequence, Enderby's company was one of 12 in Gloucestershire to participate in the pilot, Profit from Innovation, funded by the county's training and enterprise council at a cost of nearly £50,000.

At a DTI-sponsored seminar in Cheltenham last month, Blow Moulding Controls and fiva other companies reported back in such positive terms that the Tec, probably in conjunction with two other south-west Tecs, will fund another programme this month. It will also discuss teaching more trainers to expand the regional coverage, and the DTI innovation unit will shortly consider promoting the programme to Tecs on a national basis.

The subject of the enthusiasm is essentially a simple concept. It aims to improve a company's competitiveness by involving its staff in identifying the need for innovation, and then in implementing the necessary changes. It was devised by Clive Jones of Mentra, an innovation management expert, and Paul Ryan of the consultancy Business Logistix. Jones told the seminar: "In too many companies, change is an announcement from the managing director, 'As from tomorrow. . .'."

The programme consists of six sessions to teach techniques to senior managers on how to run staff workshops, followed by support visits to the company. A "driver" in each workshop encourages a flow of ideas to identify threats and opportunities, while a "scribe" uses flip charts to record thesa and also keeps discipline.

Techniques include asking people to list all conceivable faults of a product, and then stimulating suggestions for putting these right. Another approach is to forecast "supertankers" – such as social changes affecting a market – and "blockbusters" – described by Jones as "a supertanker that comes in a hurry".

All this sounds sensible but is it effective? Enderby said the package "seemed to boil down to one massive questioning technique". It had decreased his business's quality problems and increased profitability.

"By involving all the workforce, we had guys coming forward with lots of ideas – some of them very good." One outcome was that his company had rethought its US marketing strategy.

Derek Morris, chairman of DM Foundries, with 25 staff and a turnover of nearly £1m, had been as dubious as Enderby. "We're plagued by consultants who think they know it all. But we were amazed." His foundry worked in a difficult environment, in which many customers had gone bust, and staff thought they were used to problem-solving. But the workforce came up with "tremendous" suggestions. In one example the cause of a rapid production drop in one section was resolved.

A.T. Poeton, an engineering company with 100 employees and £3.5m sales, also suffered in the recession. "We made considerable efforts to find new customers but we didn't do so fast enough," Anthony Poeton, managing director, says. "Turnover dropped as did the profit to sales ratio." The package had made a tremendous difference. New markets had been identified and profit to sales improved.

In contrast, success caused difficulties at Invertec, which makes transport lighting equipment. Charles Valentine, managing director, said its sales of £3m were up 100 per cent in two years. "The main problem hit us earlier this year when our order book exploded and we weren't ready for it."

Invertec found the programme "incredibly useful", be said. The company realised it had poor communications with its customers and internally. "We needed to listen to what the shopfloor and junior management were saying. I used to have a plaque in my office saying: 'As managing director I'm entitled to my bigoted opinions.' I now listen to people and have thrown the plaque away."

One identified weakness was that Invertec's information technology was "woefully poor". The company was now investing in an integrated software package. The "supertanker" technique had helped to analyse other issues such as the impact of transport air conditioning on its products.

Brian Bennett, managing director of Plastex International, a recycling company with 35 people and a £5m turnover, said it too had rapidly expanded. When his telephone call came from Ponsford, he said: "I was probably the most sceptical – I felt we didn't have time, and would it really benefit us." But in the workshops, he said, there were "staggering commeots".

The management discovered, for example, that staff did not feel motivated by the bonus scheme – which has now been scrapped – and did not understand the business. "The techniques improved our ability to identify problems and make decisions." Productivity had risen and there was a different attitude by both management and shopfloor.

Enderby voiced ona concern, shared by others, about how to maintain the initial enthusiasm. Jones acknowledged not all companies gained equally – for example, when management tried to institute big changes first, rather than small changes where employees could see immediate results.

The attitude of the workforce was crucial. "Some took to the programme immediately," he said, "but a lot were very, very suspicious and almost hostile. But once we started and the ice was broken, it went very well."

Richard Gourlay on the start of an umbrella advice organisation

Business Link for London

Greater London's 200,000 businesses are about to get their own Business Link organisation after more than a year of acrimonious turf battles between the agencies supposedly supporting them. To be precise, the capital is likely to be getting 10 Business Links.

On November 23, a national assessment panel will review the first bid, for Business Link London, which will act like its counterparts in England and Wales as a one-stop shop providing advice and support services. Business Link London will act as an umbrella over nine local Business Links throughout the capital.

The case for a unified Business Link system bringing together the myriad support agencies in the capital was forcefully articulated last week by Earl Ferrers, the new minister for small businesses.

"In London there are 33 chambers of commerce, 26 local enterprise agencies, nine training and enterprise councils, 32 local authorities and all the DTI support services," Lord Ferrers told the London Chamber. "All of that can be pretty daunting to a humble minister and one wonders if it is not pretty daunting to the customers too."

These "customers" have not been uppermost in the minds of all support networks as they shaped Business Link London. The partnership has been fashioned against the wishes of a number of chambers of commerce, fearful they might lose members and their *raison d'être*. And some Tecs are only on board after the DTI wielded a stick and refused to let them provide their support services independent of a Business Link organisation.

One of the philosophical debates concerned whether London's Business Links should be helping regenerate economically depressed areas, as some local authorities wanted. Brian Wright, chief executive of the London Enterprise Agency, says the opposite view has prevailed – that Business Links should be concerned with supporting businesses with growth potential.

Irrespective of which organisations wither and which adapt, London's businesses should have a clearer idea where to turn for advice by next July when Business Link London hopes to open its doors.

As the proposals currently stand, the London-wide organisation will have responsibility for those support areas where local duplication would not be cost effective. So, the Business Link London will look after information services and the new information technology network which will require extensive investment. Specialised services, such as export support, will also be organised centrally.

At the local level, the Business Links will look after the personal business advisers who visit companies, assess their needs and refer the businesses to a specialist. These local operations will also develop local specialities – a knowledge of the rag trade in the east of London, for instance.

David Grayson, chairman of the national assessment panel for Business Links, believes London's businesses will finally receive the kind of customer-focused service they require if they are to be internationally competitive.

One area that might suffer in Business Link's new world are start-up companies and other micro-businesses; while there will be exceptions, the Business Links network is targeting businesses with 10-200 employees.

Wright agrees this is potentially a problem. But he believes these companies can be served by Local Enterprise Agencies.

This may be possible for organisations such as the London Enterprise Agency, which are partly funded by private-sector sponsors and have freedom to decide which start-ups to support.

But many Enterprise Agencies are dependent on funding from the government's Enterprise Initiative programme and as a result mainly support businesses started by the unemployed.

From next year, the budget for this initiative will disappear into the government's new single regeneration budget for inner cities. Enterprise Agencies recognise their start-up support programmes may receive meagre rations from this pot.

COMPANY NOTICE

The British Polio Fellowship was granted a Street Collection in the Metropolitan area on Saturday 16 July 1994 and also in the City of London on Friday 2 September 1994. As required by the Regulations governing Permits, we are pleased to announce the results as follows:

Metropolitan Police area
Income £12,159.28
Expenses 187.48
Net Result £11,971.80

City of London area
Income £4,600.14
Expenses £186.55
Net Result £4,413.59

The British Polio Fellowship records its earnest gratitude to the members of the public for their generous support and its appreciation to all collectors who made this voluntary effort possible.

LEGAL NOTICE

IN THE MATTER OF MECOAS MIDDLE EAST CONTRACTING ASSOCIATES LTD AND IN THE MATTER OF THE CYPRUS COMPANIES LAW CAP 113

Notice is hereby given that the creditors of the above-named company which is being voluntarily wound up are required on or before the 1st day of December 1994 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Costas L. Mavrocordatos, ACA of Julia House, 3 Themistocles Dervis Street, P O Box 1612, Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 1st day of November 1994

Costas L. Mavrocordatos, Liquidator

BUSINESSES FOR SALE

MONACO S.A.M. COMPANY

For sale from Owner to Owner, immediately available, shell company in good standing. Authorization includes trading and management activities.

Please address your enquiries to: Box B3520, Financial Times, One Southwark Bridge, London SE1 9HL. *Full confidentiality assured.*

FOR SALE

Industrial Equipment Supplier and Tool Hire Business with DIY and Leisure Divisions Midland based with t/o of £1.5m. Profitable

Write to Box No: B3498 Financial Times, One Southwark Bridge, London SE1 9HL

BUSINESS OPPORTUNITY LOG

UK's most complete and up to date details on:

* Receiverships/Liquidations
* Companies in Trouble
* Auctions
* Businesses For Sale

Produced by experienced professionals with serious business people in mind. Hundreds of Cos. and contacts in each issue. Tel: 071-353 5003 Fax: 071-353 5004

EFFICIENT SAWMILL IN ESTONIA.

Fully renewed, 2 framesaws, own drier, small planer, forklift, 4 trucks, etc. Production 8000 m³ a year. Price £150,000.

Enquiries fax +358 57 510210, *Tel + 358 57 510200*

LANCASTER HOUSE PUBLICATIONS LTD

Prestigious name and tax losses of £6000. Offers in excess of £15,000 will be considered.

One book of short stories entitled "Northern Lights". Published.

Contact David Scott

Tel 0282 33377 or Fax 0282 831305

FOR SALE

West Midlands based process engineering and fabrication company. Serves water, sewage and chemical sectors. *Patents pending.* Has UK agencies.

Turnover - £0.6 to £1.2 million. Reply to Fax No: 0622 764506

FOR SALE

Britain's biggest Yacht Chandler with 3 6000 sq ft showrooms in London, Poole & Southampton. Turnover at end of 1993 £4.6M. Full Colour Mail Order Catalogue with mailing list. Enquiries to Box No: B3427 Financial Times, One Southwark Bridge, London SE1 9HL

[redacted]

Tuson Limited
Peakdale Garages Limited

Tony Thompson and Mike Seery, the Joint Administrative Receivers, offer for sale as a going concern, in whole or in part, the businesses and assets of the above *two companies.*

The companies operate car retail dealerships and other related businesses from three sites in the North West of England.

Principal features include:

- *Three trading sites;* in Glossop, Hyde and Chapel-en-le-Frith, including showrooms, service areas, bodyshop etc;
- Current turnover of some £10 million;
- 24 hour petrol forecourt selling 2 million litres a year; and
- Car hire fleet at all three sites.

For further information contact the Joint Administrative Receiver, Mike Seery, KPMG Peat Marwick, Edward VII Quay, Navigation Way, Ashton-On-Ribble, Preston, Lancashire PR2 2YF. Tel: 0772 722822 Fax: 0772 736777.

KPMG

KINMAIN CONSTRUCTION LTD

The Joint Administrative Receivers, Hedley Brunt and Philip Lyon, offer for sale, as a going concern, the business and assets of the above.

- One of the Midland's (West Bromwich) leading civil engineering contractors.
- Approved contractor for many local authorities.
- Annual turnover in 1993 approximately £3million.
- 20 skilled employees.
- High quality freehold office, workshop facilities and store plus 2.1 acre secure yard. Separate freehold industrial unit of 3000 sq. ft.
- Extensive plant & equipment - JCBs, road vehicles, hoists, compressors, etc.

For further details contact: Hedley Brunt or Nigel Spearing, Kidsons Impey, Bank House, 8 Cherry Street, Birmingham, B2 5AD.

Tel: 021 631 2631 Fax: 021 631 2632

KIDSONS IMPEY Chartered Accountants

A member of HLB International

Registered to carry on audit work and authorised to carry on investment business by the Institute of Chartered Accountants in England and Wales

Coopers & Lybrand

MAJOR EAST ANGLIAN CAR AND TRUCK DEALERSHIP

The Gales Group

Group Turnover Approx. £50 million

Net Assets at 30 September 1994, £1.4 million (unaudited)

Following the termination of its dealerships but subsequent granting of new Vauxhall dealerships to the Joint Administrative Receivers, Jonathan M Sisson and Amanda S. M. Robertson offer for sale, the business and assets of the following Gales Group Companies:

Gales of Beccles

- Vauxhall Dealership
- Leyland Daf Truck Service Point
- LDV retail dealership
- extensive freehold property
- approx. car units sold: 300 retail, 1000 used, 1600 fleet
- approx. van units sold: 200 retail, 400 fleet
- approx. Annual T/o £33.3 million.

Gales of Diss

- Vauxhall Dealership
- freehold property
- established local customer base
- approx. car units sold: 300 retail, 450 used
- approx. Annual T/o £7.7 million.

Gales of Wymondham

- Seddon Atkinson Distributors
- Bedford Services and Parts Dealer
- Fiat LCV dealership
- truck servicing and new/used sales
- leasehold property
- established regional customer base
- approx. Annual T/o £1.8 million.

Master Vehicle Contracts

- contract hire of cars and light commercial vehicles
- established regional customer base
- leasehold property
- approx. Annual T/o £7.2 million.

For further information, please contact Jonathan Sisson or Stephen Oldfield at Coopers & Lybrand, The Atrium, St Georges Street, Norwich NR3 1AG. Telephone: (0603) 615244. Fax: (0603) 631060.

Coopers & Lybrand is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Our South of England

Based client offers an established aerospace approved engineering company for sale. The key features of this business are:

* Turnover in excess of £1,500,000
* Full order book
* Long established trading name
* Highly skilled and stable workforce
* Full in-house service including approved treatment shops.
* Premises available for sale or rent.

Interested parties should apply in writing to: David Lee, Ross Brooke & Co, 39 London Road, Newbury, Berks RG13 1JL.

Coopers & Lybrand

PARWIDE LIMITED & HOLMESQUEST HOLDINGS LIMITED T/A

Caldecott Hall

The Joint Administrative Receivers, offer for sale the business and assets of the above Companies.

Principal features of the business include:

- total estate approximately 1,070 acres on River Waveney, between Great Yarmouth and Beccles
- three 9 hole golf courses; pitch & putt, par 3 and full 3,400 yards. Permission to extend par 3 and long courses
- riding and equestrian facilities, including livery
- the Hall itself with a bar, two restaurants and office facilities
- arable land - approximately 200 acres
- reed beds and marshland - approximatley 300 acres
- commercial woodland - approximately 285 acres.

For further details, please contact Jonathan Sisson or James Martin at Coopers & Lybrand, The Atrium, St Georges Street, Norwich, Norfolk NR3 1AG. Telephone: (0603) 615244. Fax: (0603) 631060.

Coopers & Lybrand is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

FOR SALE

Shirt and blouse manufacturer and distributor

- Turnover of around £3.5m
- Established 100 years
- Manufacture and distribution of well known branded product in the UK
- Far Eastern and European licensing operation
- Two freehold factories undertaking CMT work
- Further investment properties

For sale as a going concern following the death of the principal shareholder

For further information please contact: DM Farquharson, Binder Hamlyn, Victoria Square, Victoria Street, St Albans AL1 3TF

Tel: 01727 836363 Fax: 01727 840993

BINDER HAMLYN

Coopers & Lybrand

Saxilby Ltd
T/A Thorns Catering Equipment Hire

The Joint Administrative Receivers, T R Harris and N J Vaughl, offer for sale the business and assets of the above company.

Principal features of the business include:

- long established business
- noted for quality of service
- turnover of £420k
- full range of catering equipment and hire stock
- strong customer base.

Please address all enquiries to Adrian Howlett at Coopers & Lybrand, Hillgate House, 26 Old Bailey, London EC4M 7PL. Telephone: (071) 583 5000. Fax: (071) 212 6800.

Coopers & Lybrand is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Coopers & Lybrand

CHEMICAL MANUFACTURER

PPK Products (UK) Limited

The Administrator D J Stokes, offers for sale the business and assets of this chemical manufacturer.

Principal features of the business include:

- manufacturer of cresylic acids, cresylic creosotes and other phenolic products, principally for export
- distillation and blending facilities
- modern leasehold factory in Sheffield, close to M1
- turnover of approximately £1.0 million
- good order book.

For further information, please write to David Stokes at Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET. Telephone: (0114) 272 9141. Fax: (0114) 259 8202, or contact Nigel Bedford at the Company's premises on telephone (0114) 256 1676.

Coopers & Lybrand is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Coopers & Lybrand

SANQUHAR, DUMFRIES & GALLOWAY

Kingston Spinners (Scotland) Limited

The Joint Receivers, Frank Blin and Ian Rankin of Coopers & Lybrand, Glasgow, offer for sale the business and assets of this company, which specialises in the texturising and dyeing of carpet yarn.

Principal features of the business include:

- Space Dye Process Facility, with Superba machines
- established quality customer base
- modern leased unit of approximately 70,000 square feet
- 1994 turnover in excess of £1.2 million.

For further information, and on appointment to view, contact Ian Rankin or Derek Forsyth at Coopers & Lybrand, Kintyre House, 209 West George Street, Glasgow G2 2LW. Telephone: (041) 248 2644.

Coopers & Lybrand is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

[redacted]

Bournemouth International Airport and associated land

Bournemouth Borough Council and Dorset County Council, the shareholders of Bournemouth International Airport, have appointed KPMG Corporate Finance to market their interest in the business and the associated land

Salient features include:

- Used by scheduled, holiday charter, commercial and freight operators;
- Net assets of £24 million;
- Turnover in excess of £5 million and profitable;
- Industrial estate generating income of £1 million, and
- 60 hectares of development land zoned for industrial development

For further information please contact Andrew Carr or Robert Haycock on (01703) 631465 or at the following address: KPMG Corporate Finance, Dukes Keep, Marsh Lane, Southampton SO14 3EX.

KPMG Corporate Finance is a practising name of KPMG Peat Marwick, which is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

KPMG

[redacted]

Motor Dealership

The Joint Administrative Receivers offer for sale the assets and goodwill of Sharmen and Ladbury Limited, a Ford Dealership located in Melton Mowbray, Leicestershire.

Principal features include:

- Leasehold site of 1.49 acres incorporating showroom, offices, workshop and bodyshop of approximately 29,500 sq.ft. Freehold available.
- Located close to Melton Mowbray town centre on main Leicester Road.
- Experienced work force.
- Current turnover of approximately £12m per annum.

For further information contact the Joint Administrative Receiver, Mick McLoughlin, KPMG Peat Marwick, St. Nicholas House, 31 Park Row, Nottingham NG1 6FQ. Tel: 0115 935 3535 Fax: 0115 935 3500.

KPMG

BUSINESS SERVICES

Save on International Phone Calls!

USA only 24p per min

Australia 40p per min

No VAT

Ask about our low rates to other countries.

kallback

Call USA 1-206-284-8600

Fax USA 1-206-282-6666

419 Second Ave. W, Seattle, WA 98119 USA

CALL USA ONLY 17p/min

AUSTRALIA ONLY 29p/MIN

First 30 mins FREE

Dial Int. Telecom

Tel: 081 490 5014

Fax: 081 568 2830

FOR SALE

NORTHERN BASED

Radio Communications Business. Cellular, P.M.R., Sales, Service, Rental. Established 25yrs. *Blue chip clients ½ million* plus turnover reasonable profits. owner wishing to retire.

Write to Box B3510, Financial Times, One Southwark Bridge, London SE1 9HL.

100+ LIVE BUSINESSES FOR SALE and sales of assets fortnightly 071 262 1164 Fax 071 706 3464

***MANUFACTURING BUSINESS* FOR SALE**

Our client is a well-established, profitable Northern based manufacturing company operating primarily in the office furniture and melamine panels market. They have a broad UK customer base and operate from a modern factory with a workforce of 25.

The shareholders now wish to make a complete disposal of the company although operational management can remain.

The business is experiencing rapid growth and have recently introduced new products *to provide a platform for continuing progress both in the UK and Europe.* Principals only should write to:

Mrs S J Hudson ACA
G S Pearson Corporate Finance
Opensteed Court, North Lane,
Headingley, Leeds LS6 3HB

HARLEY STREET BUSINESS ADDRESS Fully serviced offices, business address, boardroom, all secretarial services plus free message taking. For further details phone 071 637 5505.

BUSINESSES FOR SALE

Appear in the Financial Times on Tuesdays, Fridays and Saturdays.

For further information or to advertise in this section please contact

Karl Loynton on +44 71 873 4780

or Lesley Sumner on +44 71 873 3308

OFFICE EQUIPMENT

OFFICE FURNITURE

We have - direct from the manufacturer - *new high quality* executive and system ranges - conference and receptions. Large choice of veneers, melamine and/or laminate finishes

with discount of up to 40% from R.R.P.!

London Showroom for viewing:

Ariel House, 76 Charlotte Street, London W1 Tel: 0374 741439

Full camcad and planning services.

LINEABURO LTD Tel: 0992 503313

Businesses & Property in Receivership

The professional's guide to the UK Insolvency Market

PINK PAGES Fully indexed weekly guide to co's in liquidation & receivership, co's *in trouble*, insolvency auctions, businesses for sale New Sections Pre-Insolvency & LPA Receiverships.

PROPERTY PAGES the UK guide to commercial property in receivership and for sale - 100's of property bargains - Hotels, Nursing Homes, Land, Offices, Retail & Industrial premises. Development opportunities etc.

SELLS FOWLER GREGORY

Sample copies

Tel: (0273) 626681 Fax: 698661

TOILETRIES

Large capacity modern process and mixing plant for all types of liquids, creams, lotions and pastes plus tube and bottle filling lines.

Fax London: 081 961 6853

FOR SALE

TRAVEL COMPANY WITH TAX LOSSES

Write to Box No B3426 Financial Times, One Southwark Bridge, London SE1 9HL

VEHICLE CONTRACT HIRE

Small Vehicle Contract Hire Business - 140 vehicles - good residual values - profitable - Blue Chip clients - unutilised tax allowances - subsidiary of group wishing to concentrate on *core business.*

Write to Box B3499, Financial Times, One Southwark Bridge, London SE1 9HL

RESIDENTIAL PROPERTY SALES, MANAGEMENT & LETTINGS

☆ South East London
☆ Ten years profitable trading
☆ 4 branches, strong branding
☆ c. 350 properties under management
☆ T/O c. £750k, pre tax/drawings profits c. £300k
☆ Retirement sale

Contact: Jack Clipsham, Beavis Walker, Audrey House, 16/20 Ely Place, London EC1N 6SN. Tel: 071 430 1111

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business

FOR SALE

RESIDENTIAL HOUSE BUILDING COMPANY

- Family business established 1987
* *Substantial tax losses available*
* Asset values in excess of £1m
* Prospects for future growth

Contact:

Patrick Loftus,

BINDER HAMLYN, 1 Norfolk Street, Manchester, M60 8BH Tel: 061-831-7121

FOR SALE **LONG ESTABLISHED COMPANY** in the environmental cleaning market, manufacturing a comprehensive range of air and grease filtration products with a £6.5m turnover and **excellent profits.** The company specialises in the manufacture of products in the expanding field of carbon filtration, and therefore has **good prospects** for future growth. Convenient for M25.

Write. Box B3421, Financial Times, One Southwark Bridge, London SE1 9HL

BUSINESS AND THE LAW

Court rejects tractor appeals

EUROPEAN COURT

The Court of First Instance bss dismissed the appeals of three tractor manufacturers against a 1992 European Commission decision condemning the UK Agricultural Tractor Registration Exchange agreement.

The Commission said exchange of information on tractor registrations infringed Treaty of Rome competition rules, because it resulted in an exchange of information identifying sales of individual competitors, dealer sales and imports.

The agreement concerned an information system based on UK Department of Transport tractor registration data. In the UK, all vehicles must be registered for use on public roads. Systematics International (SIL), a data processing company responsible for processing and handling registration application forms for the department, was permitted to send certain information to the parties to the agreement.

The Commission said the information sent to members of the agreement could be divided into three categories:

- Aggregate industry information, including aggregate industry sales broken down by year, quarter, month or week;
- Information on each member's sales, including number of units sold by each manufacturer and market share for various geographical areas; and
- Information concerning sales made by dealers in each member's distribution network, in particular imports and exports in their respective territories.

Until September 1988, parties to the agreement received part of the registration application forms filed by independent importers from SIL. Thereafter, the Commission said they continued to receive sufficient information to enable parallel imports from other member countries to be identified, mainly through the use of tractor serial numbers. Dealer territories could be identified because the registration procedure required customer postcodes to be given and the manufacturers defined territories by postcode.

The eight agreement companies held about 87-88 per cent of the UK tractor market, the Commission said. It refused exemption from the competition rules largely because the information exchange system did not benefit consumers but exclusively suppliers.

The Commission claimed it had never accepted either that exchanges of recent and detailed information were indispensable to achieve the commercial objectives of the members of the agreement or that such exchanges offer advantages, in particular for third parties, which would compensate for their restrictive effects on competition.

The CFI rejected the tractor manufacturers' arguments that the agreement did not restrict competition or affect trade between member countries and, if it did, it should have been exempted.

The Court said the provision of the information to all suppliers joining the system presupposed an agreement, or a tacit agreement, between the parties to define the boundaries of dealer sales territories by reference to the UK postcode system, as well as an institutional framework enabling information to be exchanged between the parties through their trade association (Agricultural Engineers Association).

The Court said the frequency and systematic nature of the information also enabled a trader to forecast more precisely the conduct of its competitors.

The Commission's decision was the first time it had prohibited an information exchange system concerning a single-product market in the absence of directly related anti-competitive conduct, such as price fixing. However, the CFI confirmed the Commission had applied the same criteria it always applied.

The CFI agreed with the Commission that in a narrow oligopolistic market, where four companies had a dominant market share, the exchange of confidential information restricted the hidden competition which would otherwise exist in such a market and formed a barrier to new market entrants.

T-34 and T-35/92, Fiatagri UK, Ford New Holland and John Deere v Commission, CFI 2CH, October 27 1994.

BRICK COURT CHAMBERS, BRUSSELS

Pain-saving incentives

Robert Rice on the latest insolvency rules for partnerships

For many of the top commercial law firms the recent recession had little impact on gross revenues. That has been particularly true for firms with strong insolvency, banking and internationally based practices.

Inevitably, however, the economic downturn threw up its fair share of casualties on both sides of the Atlantic. Some firms' troubles were more public than others. In the US, Boston's Caston & Snow went to the wall. In the UK, D J Freeman was one of the first to acknowledge publicly that it had financial problems – difficulties which, by all accounts, are now behind it.

For others the pain is not yet over. Much has been written about the problems of City law firm Turner Kenneth Brown and its failure to clinch a merger with Alsop Wilkinson. And in the US last month, Lord Day & Lord Barrett Smith, one of New York's oldest law firms, dissolved its partnership.

Rumours continue to circulate in London about the precarious financial health of several well-known City law firms. But although many firms were open about laying off staff during the recession, few are prepared to follow D J Freeman's example and acknowledge financial difficulties in public.

That is understandable, says Mr Christopher Honeyman Brown of accountants Binder Hamlyn. "There is tremendous prejudice against professionals unable to manage their affairs, to the extent that they get into a money muddle. Accountants would certainly be discredited. Lawyers probably also," he says.

Fear of publicity also appears to have prevented many firms from confronting their financial difficulties and attempting to restructure. "People do tend to bury their heads in the sand, especially partnerships with problems. They just hope they will go away," says Mr Steve Hill of accountants Coopers & Lybrand.

Part of the reason why partnerships in financial trouble prefer to soldier on rather than confront their problems is that, until now, they have had little incentive to restructure.

When the 1986 Insolvency Act introduced new rescue procedures for companies and individuals, partnerships were left out. But this gap, long criticised by insolvency practitioners, is about to be filled.

On December 1, the Insolvent Partnerships Order 1994 will extend the rescue culture to partnerships, allowing those in financial difficulty to make use of voluntary arrangements and administration orders for the first time.

Under the old rules, an insolvent partnership could only be liquidated compulsorily or wound up by the partners' trustee in bankruptcy. Therefore, partnership rescues that have taken place tended to be through the use of serial individual voluntary arrangements (IVAs) for the partners.

Under an IVA, any individual owing money can propose a scheme to their creditors to pay off their debts in whole or in part. For a voluntary arrangement to be accepted, 75 per cent by value of the creditors need to agree to it.

This procedure has been used successfully for some partnerships, says Mr Hill. Serial IVAs were used for the partners of the London and Oxford branches of UK accountants Halpern & Woolf, now merged with Casson Beckman. But in general they are too cumbersome for all but the smallest partnerships.

"The Halpern & Woolf case would probably have been easier, cheaper and smoother under the new system," he says.

According to Mr Chris Hughes, head of Coopers' insolvency practice, the new law will make it easier to help medium and large partnerships, allowing some to survive which would not have done so before. It will aid professional partnerships such as solicitors, accountants and estate agents, where the main asset of the business is the ability to earn future profits. Such businesses are worth far more alive than dead, Mr Hughes says.

But he adds the courts should allow the use of IVAs for small partnerships to continue, rather than force insolvency practitioners to use the panoply of corporate procedures for the husband-and-wife corner shop. That would be costly and of no benefit to creditors, he says.

Mr Hughes is also concerned by the Department of Trade and Industry's insistence that partnerships should be treated in exactly the same way as companies, so far as is possible. An administration order – an interim arrangement to give a company protection from its creditors while it reorganises (often combined with a voluntary arrangement whereby creditors agree to compromise their claims) – does not provide any protection for individual shareholders.

By implication, orders against partnerships will not provide any protection for partners either. But, he says, shareholders do not need protection, as they are not personally responsible for the companies' debts. Partners are, however.

The other big change concerns the ranking of creditors. For more than 200 years, when a partnership has gone into liquidation or bankruptcy, each partner's private creditors have to be paid in full before any of their assets can be used to meet partnership debts.

From December 1, as recommended by the Cork Committee as long ago as in 1982, the deficit in a partnership will now be a claim in each partner's own bankruptcy, and rank equally with the partner's private creditors.

Mr Hill says the effect of this change could be dramatic and private creditors may no longer get paid in full. "It means the local plumber is going to have a lower chance of getting paid if he deals with a businessman who is in partnership than he would if he dealt with a similar businessman who is a company director," he says.

So the new rule will favour creditors of the business over those of individual partners. But, Mr Hill says, that may be the incentive needed to keep the business alive. In the case of solicitors, where banks and landlords tend to be the main creditors, it may help to persuade banks not to pull the plug on financially troubled law firms.

Will the new procedures work or be much used? If they give a partnership with a viable underlying business time to cut out dead wood, tighten cash management and present itself as a suitable candidate for merger, then they could prove valuable, says Mr Honeyman Brown.

Mr Hill says it is difficult to gauge how much use will be made of the new rules. Insolvency practitioners are aware of several professional firms still in some difficulty, so if the new procedures get positive results, "we may find, by demonstrating we have more strings to our bow, that we encourage some partnerships to confront their financial problems and use the new procedures to restructure".

Others are not so convinced. Mr Alan Perry, a partner of D J Freeman, says that any whisper of insolvency in a professional firm in the past has tended to lead to the rapid collapse of the business. "Apart from isolated cases, I think the jury is still out on whether, and in what circumstances, a substantial professional partnership could go through an administration or a voluntary arrangement and survive," Mr Perry says.

There is also the hint that, with the recession over, the timing of the introduction of the new rules smacks of shutting the stable door after the horse has bolted. Mr Hill is not sure that matters. "There's definitely less insolvency about. But that gives us plenty of time to debug it before the next downturn."

LEGAL BRIEFS

Canary Wharf to appeal against TV reception ruling

Canary Wharf, the London Docklands development company, is to appeal against a High Court ruling earlier this year in an action brought by a group of Docklands residents claiming damages for interference with television reception.

Canary Wharf maintains that interference with television reception should not be an actionable nuisance under English law. If the ruling is allowed to stand it could result in similar actions against existing developments, and could threaten urban regeneration and city-centre developments, the company says.

It says interference with television reception is analogous with loss of view, citing an 1881 case that there is no right to a view under English law otherwise "there could be no great towns".

Higher salaries

Salaries for assistant solicitors in London have risen strongly, according to legal recruitment consultants Quarry Dougall. For firms with more than 25 partners, solicitors qualified for four years can earn up to £52,000 a year and those qualified for eight years, £83,500.

Solicitors' PR

The Solicitors Trust, a new solicitors' network, formed in association with Brewin Dolphin Bell Lawrie, the UK private client stockbroker, is to spend £10,000 a week on a national press advertising campaign to drum up business for its members.

The network, which will be restricted to 200 firms, each operating within an exclusive geographical area, will concentrate on personal finance planning, general management of clients' investment portfolios and stockbroking.

PEOPLE

Pru picks Sir Martin from its board

The Prudential Corporation, the UK's largest life insurer and biggest investment institution, is expected to announce shortly that Sir Martin Jacomb, one of the City's best-connected merchant bankers, will take over as its non-executive chairman following next May's annual general meeting.

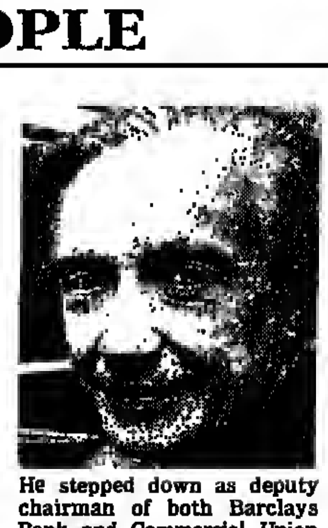
The expected choice of Sir Martin, chairman of Postel Investment Management and a director of the Bank of England, means that the Prudential is reverting to its traditional habit of picking a chairman from its outside non-executive directors.

Sir Brian Corby, 65, the current chairman, is unusual in that he joined the Pru in 1952 and worked his way up to be group chief executive, before becoming chairman in 1990. Sir Brian's two predecessors were Lord Hunt of Tamworth, a former Cabinet Office secretary, and Lord Carr, who had been Sir Edward Heath's Home Secretary in the early 1970s.

Although Sir Martin, who turns 65 next week, is a more traditional type of insurance company chairman, he differs from his predecessors at the Pru in having strong ties with the City. He worked as a barrister before joining Kleinwort Benson in 1968 where he rose to be vice-chairman and was often regarded as a contender for the chairman's post.

In 1985 he quit the family-dominated merchant bank and was appointed a deputy chairman of Barclays Bank. He was the first chairman of Barclays de Zoete Wedd and is credited with making BZW one of the more successful merchant banking operations of the big clearing banks.

When he took on the chairmanship of the British Council in 1992 there was speculation that Sir Martin was preparing to bow out of City life slowly.



He stepped down as deputy chairman of both Barclays Bank and Commercial Union at the end of last year and his term as a Bank of England director expires at the end of next February.

However, he joined the board of the Pru last March and retains a clutch of non-executive directorships which include Marks and Spencer, RTZ, and The Telegraph. He also took on the chairmanship of Delta last year and was last week appointed to the Nolan committee set up to examine standards of conduct in public life. (See Observer)

Bodies politic

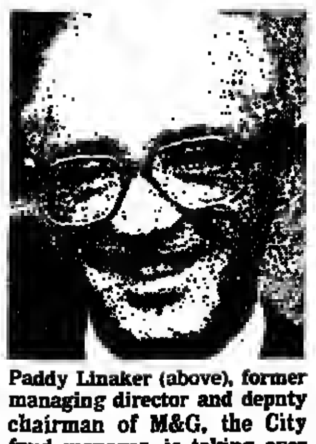
On the day that the new Coal Authority took over from British Coal the responsibility for owning and licensing Britain's coal assets, the government announced who the Authority's members are to be.

They include Roy Lynk, the former president of the breakaway Union of Democratic Mineworkers from 1987 to 1993, who was himself a coal-face worker for nearly 30 years. Others are Leslie Rendell, the retiring director of planning and transport of Warwickshire County Council, Tom Slee, the finance director of Pittencrieff Resources, an Edinburgh-based oil and gas company, John Cunliffe, a former senior legal adviser within The Royal Dutch/Shell Group of Companies, and Eric Hassall, a qualified chartered engineer who is currently chairman of Wardell Armstrong, mining consultants.

The Mansfield-based authority is headed by Sir David White, the chairman of Mansfield Breweries.

- Malcolm Argent of British Telecom; Tom Hollobone of the International Association of Underwater Engineering Contractors; David Jones of the National Grid; Anthony McGrath of Baring Brothers; Roderick Paol of Severn Trent Water; Sue Rogers of the British Aerosol Manufacturers' Association; Jeffrey Rose of the RAC; Ian Spratling of Wolff Steel; Simon Wilkinson of the London Stock Exchange; and Phillip Wright of Sheffield Forgemasters have joined the national council of the CONFEDERATION OF BRITISH INDUSTRY.
- Hugh Cade, senior partner of the leisure consultancy of Touche Ross, has been appointed chairman of FOODSERVICE CONSULTANTS SOCIETY INTERNATIONAL in Europe.
- Peter Davis, chairman of Reed International, has been appointed a trustee of the VICTORIA AND ALBERT MUSEUM.
- Stephen McQuillin, formerly regional controller in Bristol for the Department of the Environment, has been appointed director of the government office for DEVON AND CORNWALL.
- Graham Negus, a director of Ken Negus, has been appointed chairman of the STONE CLEANING AND SURFACE REPAIR Committee of the Stone Federation of Great Britain.

Non-executive directors



Paddy Linaker (above), former managing director and deputy chairman of M&G, the City fund manager, is taking over as non-executive chairman of FISONS as from yesterday.

He replaces Patrick Egan, 64, executive chairman, who in March signalled his intention to step down and was known to have been keen to step down as soon as a replacement was in place.

Stuart Wallis, 48, the chief executive since September, takes over executive control of the company. His predecessor, Cedric Scroggs, was sacked in December and the company since shed jobs and sold off some businesses.

Fisons says the changes are ere taking place with immediate effect because "the handover to Wallis has gone exceptionally smoothly".

Linaker, 60, joined the Fisons board in July as a non-executive director after he left M&G. He is also a non-executive director of the TSB Group.

- *Basil Sellers has resigned* from CESTETNER HOLDINGS.
- Stephen Barclay at UPTON & SOUTHERN; Alan Jones has resigned.
- Janet Cohen, a director of Charterhouse Bank, The Yorkshire Building Society, and BPP Holdings, at JOHN WADDINGTON.
- Robert Wade, chairman of Leeds Group, at LEEDS & HOLBECK BUILDING SOCIETY; Olav Arnold has retired.
- Paul Baddiley, former finance director, at the HOLLAS GROUP.
- Sir William Gray and David Peart at HARTLEPOOLS WATER COMPANY; Laurence Bridgewater has retired.
- Mohd Aminuddin Rouse, Freddie Pang Hock Cheng and Tan Kim Poh at ROSSMONT.
- Sir Wilfrid Newton, former chairman and chief executive of London Regional Transport, at MAUNSELL.
- David Appleby at TREATT, from which he has taken early retirement as manufacturing director.
- Ian Bankier, a former senior partner of McGrigor Donald, at STAKIS.
- Felda Hardymon, a partner of Bessemer Venture Partners, at LBMS.
- Guy Whalley has resigned from HIGGS & HILL.
- Sir Russell Fairgrieve, a past chairman of the Scottish Conservative Party, as chairman of BAIN HOGG in Scotland and Northern Ireland.
- Ian Hartigan, retired md of BP Shipping, at BABCOCK INTERNATIONAL GROUP.
- David Wydeoback, retired deputy chairman of BACS, at ACTive (COMPUTER SERVICES).
- Tom Drake, chairman of Drakes International, at TANIK INDUSTRIES.
- David Michels, chief executive of Stakis, at ABERFORTH SPLIT LEVEL TRUST.
- Harry Westropp, chairman of Britton Group, as chairman at ABACUS GROUP on the retirement of Peter Grundy.
- Ron Mason at M&P Group.
- John Ward, chairman of CBI (Scotland) and a former director of IBM's Havant plant, at CALLUNA.
- Barry Dale, chairman of The Littlewoods Organisation, at TRIPLEX LLOYD.
- Gerald Leahy, director general of the Association of Corporate Treasurers, at DAIWA EUROPE BANK.

ARTS

The Romantic spirit revisited

Opportunities have been missed in this rehang of German art, writes **William Packer**

There is usually nothing more tedious than to review e show twice, for all that it might be currently the most brilliant thing in the world. But there are exceptions, especially in those cases where doubts or questions were raised by the initial experience. *Autres temps, autres murs*: e show rehung is in many senses e new show, and to give such a one the benefit of those doubts is no bad thing.

I first saw *The Romantic Spirit in German Art 1770-1990* at Edinburgh in the summer, and found it something less than the sum of its parts, fascinating and beautiful though many of those parts undoubtedly were. It was e case, I felt, of curatorial ambition over-reaching itself. Two hundred years'-worth of any nation's art would be problem enough in the simplest chronological presentation, let alone in tha sustained exposition of a dense and complex argument. What a brave idea it was and, in the event, what a frustrated opportunity.

The move from the grand and ample Classical spaces of the Royal Scottish Academy to the more tortuous and constricted plan of London's Hayward Gallery, was bound to entail a certain concentration of meterial and trimming down. Would it bring with it a refocusing of the show's essential rationale, and with it a more comprehensive and integrated view of the subject as a whole? Not at all.

Too late, of course, to expect that any of the more obvious and inexplicable gaps would now be plugged (we knew there was to be no Beckmann, no Schad, no Hubbuch, no Corinth, no Menzel) but surely some of the more obvious and direct comparisons across the period, which the very premise of the exhibition invites, would now be made – Beuys with Klee, Dix and Radziwill with Rethel, Baselitz with von Marées and Bocklin, the Bauhaus practice with the early theorisings of Goethe and Runge. Not a hit.

But scholars and curators are stubborn beasts, for whom any *idée fixe* is *fixe* indeed. The bare fact is that not a single concession has been made, in terms of editing or reconsideration, in what was manifestly the weakest part of the Edinburgh showing. There the work of the last 30 years, represented by a mere six artists, was shown apart in the Fruitmarket Gallery. At the Hayward these same six have been given the entire mezzanine and the entrance gallery, which must amount to nearly 30 per cent of the area available for exhibitions. Small wonder then at what else has been left out.

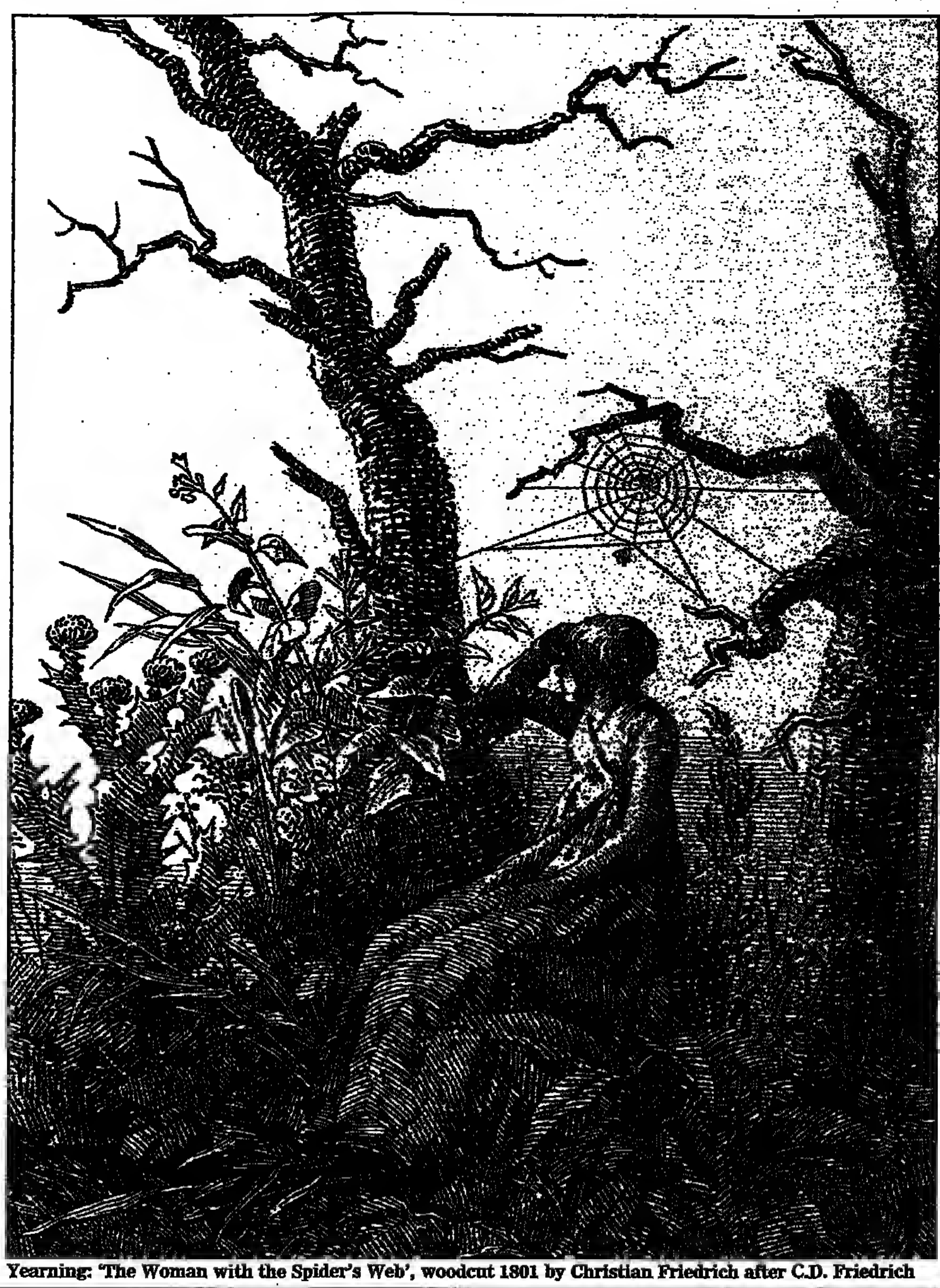
What this says of the judgment and priorities of the organisers shouts for itself. It is hot the current orthodoxy that a room-size sculptural installation by a Beuys or Polke must take precedence over any other consideration, even in so historical a context as this. I would only say that the showing on a sensible scale, and in e proper context, of Beuys, Kiefer and Baselitz, would have been entirely justifiable. As it is they stand with their three fellows as though there has been no other *Deutsche Romantik* art in a generation – nothing of recent East German realism, for example.

All that aside, the show holds many beantiful and rewarding things, albeit fewer of them, from the Friedrich landscapes at the outset, so eloquent in their gentle melancholy, to the abstracted, lively refinement of the Beuys drawings at the end. The run of early 19th century self-portraits and small paintings – Janssen stripped to the waist, Friedrich's wife leaning out of the window, Kersting's pretty "wreath-maker" sitting sad beneath the trees – is a delight.

And what does all this tell us of the romantic spirit in German art in all this time? That there was ever a soulful yearning for the ineffable, the unreachable, the soblime? That the fond quest for purity and perfection took with it, too, a more doubtful sense of destiny and foreboding? That in the dark night of the soul, darker and more troublesome spirits walk abroad – Bocklin's shaggy unicorn deep in the forest, Dix's ravens that tumble from the winter sky? What quite does the nymph fear, in von Marées' painting, from the horseman who turns away to pluck the fruit from the dark tree?

Such questions are proposed, but no answers offered. Some paintings of the Nazi period are shown, but only a few, e mere gesture towards a subject that by now requires proper treatment. Controversy flared briefly on the matter, as thongh by Friedrich's ooble yearners we might see that the enormities of Hitlerian barbarism were inevitable. Nonsense, of course, in any particular sense, but more general questions remain. What, if indeed it exists at all, is this peculiar quality of national sensibility, this soulful, contradictory agonising and self-searching, that distinguishes the German from the *Romantik* of other kinds? This exhibition, over-ambitious yet stretched as it is so thin, does little more than ask.

The Romantic Spirit in German Art 1790-1990: the Hayward Gallery, Sonth Bank Centre, London SE1, until January 8, then on to the Haus der Kunst, Munich: sponsored by Deutsche Bank, Siemens and Urenco, with assistance from Lufthansa: part of the South Bank'e *Deutsche Romantik* Festival.



Yearning: 'The Woman with the Spider's Web', woodcut 1801 by Christian Friedrich after C.D. Friedrich

Recital

How to play second fiddle

Disarmingly, the great Itzhak Perlman'e Barbican recital on Thursday began not with a solo violin sonata, but with a keyboard sonata "with violin accompaniment". That was Mozart's K.296 in C, from the transition-period in the late 1780s when composers were starting to imagine that a single violin might actually do more than just accompany a harpsichord or piano.

It might have made too tame a start, or have seemed at best a relaxed way for Perlman to play himself in. The resnlt was quite different. The violin's role is indeed subordinate to the piano's, and with the admirable Bruno Canino at the latter instrument there was not the slightest chance that it would dwindle against his "accompaniment". But Perlman gave us a miraculous object-lesson in how to play second fiddle: never overweening, always answering to the pianist – but rewarding him with the most subtle and richly varied responses, even in the mostly 3-note descant of the Andante and his scrubbing, clucking accompaniment in the Rondo.

The sonata acquired vital depths and hreadth beyond anything one expected. As it turned out, the real partner-sonatas that followed – Fauré's op. 13, his First, and Poulenc's only one – were less well balanced, though entirely engaging. Perlman was faultlessly stylish and easy; Canino, whose pianism is quick, light-fingered and very sparing with the damper-pedal (which Poulenc loved to excess), sounded appreciative but distinctly spidery. There is as much *élan vital* in Fauré'e sonata as in the famous First Piano Quartet that came on its heels; here, we missed any real thrust from the bottom of the keyboard, and therefore some of the sonata's radiant, importunate drive.

There was still plenty of art as also in the Poulenc. The composer aimed to write something that would do justice to Ginette Neven's tigress-powers; but tigerishness was never in his nature, and Neveu had to be content (we don't know whether she was, but Poulenc himself was dissatisfied) with his racketty, mercurial operetta-style in the outer movements, and measured seotiment in the Intermezzo. Though Canino was again too wary to allow full resonance to the piano-sound, everything he did was impeccably pointed – and Perlman devoted himself to realising the exact character of every movement, rather than exploiting their virtuoso potential.

On paper the programme looked short, and it was. Perlman was reserving a surprise, however: after the Poulenc, without much feinting, he launched hriskly into five encore-size pieces – evergreen Sarasate, Kreisler and Heifetz, haunting Fauré and Stravinsky (the Berceuse and the little "Chanson russe"). We had to be delighted, and were almost satisfied.

David Murray

Concert/**Richard Fairman**

British fanfare for Beethoven

Under orders to help promote new music, the London orchestras have each come up with their own solution. The Philharmonia has introduced a series entitled "Music of Today" timed at 6pm before the evening's concert – a clever idea, as it can draw on a captive audience, while leaving the orchestra free to programme the standard classics in its main concerts.

So far the new music seems to have been concentrated on weekends. On Saturday a reasonable number of Beethoven-lovers, gathering for the start of the symphony cycle thet night, was attracted to the earlier event: three short pieces by British composers all in their mid-30s. An opening fanfare was provided by James MacMillan. Then came Mark-Anthony Turnage's jazzy romp, *Release*, and Steve Martland's *Shoulder to shoulder*, a more disciplined exercise in post-Stravinskyan rhythmic battery. Each was a useful thumb-nail sketch of its creator, though not more.

None of them will have stolen the thunder from Nikolaus Harnoncourt's Beethoven cycle, which started its two-week journey that evening. For the Philharmonia, which went down in history as the orchestra that marked the Beethoven bicentenary with a symphony cycle under the revered Otto Klemperer, this was quite a jump.

On the face of lt Harnoncourt is the antithesis of everything Klemperer stood for: a former standard-bearer of the "authenlic" brigade, tireless in overturning accepted ldeas, controversial, dynamic. His Beethoven with the Chamber Orchestra of Europe, both live here in London and on record, has made a name for itself with its drive and clarity. Teamed with the full-size Philharmonia, Harnoncourt is able to replicate the drive, but the clarity does not come so easily.

The First Symphony opened with two unexpectedly thick-sounding, heavy movements. Then the scherzo and finale exploded with energy. "Authentic" Beethoven conductors – especially Norrington – have found a Haydn-like humour in this early symphony, but as far as Harnoncourt is concerned, Beethoven bursts forth fully-formed, a tempestuous symphonic composer heading for battle.

The "Eroica" is more Harnoncourt's piece. He relishes its determination to fight until the issues are resolved. Some of the climaxes reached a high pitch of intensity. Although there were rough patches of playing, one can imagine Harnoncourt in rehearsal, knowing exactly what he wants and going over every passage until he has stamped his authority on each note. His Beethoven is entirely his own, which should make the rest of this cycle one to recommend. In that respect he is as worthy a successor to Klemperer as the Philharmonia could have found.

Beethoven symphony cycle et the Royal Festival Hall in London and Symphony Hall in Birmingham until November 13.

Recital/**John Allison**

Olga Borodina sings Tchaikovsky

Olga Borodina's all-Tchaikovsky programme at the Wigmore Hall on Thursday launched the Maryinsky-Kirov series of recitals thet will run there until the middle of next year. Like the parallel Royal Philharmonic Orchestra-Maryinsky series, also under the artistic directorship of the Kirov's chief, Valery Gergiev, it is a celebration of St Petersburg's cultural heritage, past and present.

On Thursday the "present" was personified by Borodina, who along with the soprano Galina Gorchakova (to appear later in the series) is a leading lady of the Kirov Opera. In the space of a few years she has established herself as one of the most exciting mezzo sopranos around today, not only in the Russian repertory in which she excels; as her recent Cenerentolas at Covent Garden testified, she is not an artist to be pigeon-holed.

Borodina possesses an individuality of voice all too rare among her contemporaries. The sheer beauty of her tone was enough to hold the full house rapt, in spite of the relatively unvaried programme. She has the burnished Slavonic glint that distinguishes Russian singers, but nothing of the "edge" that can detract from some of them; she also boasts admirable dynamic control, with wispy pianissimos and reserves of power.

Even so, the first part of her recital was a little short on communication: perhaps she was relying too much on the lustre of her voice, but the dark and wonderfully lugubrious sequence of songs needed greater definition. "None but the lonely heart" – the most famous Russian song, ironically a translation from Goethe – cried out for legato phrasing: even when notes were joined, Borodina did not always seem to be thinking in long lines. She redeemed herself with seamless legato in her first encore, Pauline's aria from *The Queen of Spades*.

There was more variety to the second half of Borodina's programme – virtually a repeat of the mezzo's recent recital disc for Philips – and she found the mood of each number, helped by the flexible, fluent accompaniments of Semyon Skigin (replacing the announced Larisaa Gergieva). The "Gipsy girl's song" was sultry, "Gentle stars were shining for us" evocative; she caught the bursting emotion of "The first meeting" and the eroticism of "The sun has set". Borodina put her all into the concluding "Again, as before, I am alone" – Tchaikovsky's last song, whose haunting strains reveal almost as much about the composer's mental state during his final months as does the whole of the *Pathétique* Symphony. Performances of this stature make the case for Tchaikovsky as a major song composer, one which unfortunately still needs arguing. His output of over 100 songs is undeserving of its continuing and condescending neglect.

The Maryinsky-Kirov Series, sponsored by the Regent Hotel, London and British Airways (St Petersburg), continues with recitals by Valentina Sedipova (November 16) and Irina Arkhipova (November 24).

INTERNATIONAL

ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight: Mendelssohn'e Elijah. Tomorrow, Fri (Kleine Zaal): Melos Quartet plays string quartets by Haydn, Janacek and Dvorak. Thurs evening, Sat and Sun afternoons: John Eliot Gardiner conducts Royal Concertgebouw Orchestra and Chorus in works by Debussy, Kurtag, Bartok and Kodaly. Thurs, Sat (Kleine Zaal): Vermeer Quartet. Fri: Hubert Soudant conducts the Brabants Orchestra in Brahms, Bruch and Beethoven, with violin soloist Theodora Geraets. Sat evening: Andrew Lloyd Webber'e Requiem. Sun evening: Ivo Pogorelich piano recital (24-hour information service 020-675 4411 ticket reservations 020-671 8345)

Beurs van Berlage Tomorrow, Thurs: Jac van Steen conducts Netherlands Philharmonic Orchestra in works by Pijper and Ravel, with piano soloist Ronald Brautigam. Fri, Sat: Philippe Entremont conducts Netherlands Chamber Orchestra in Britten, Weill, Eisler and Antheil. Sun: Rubin Quartet plays string quartets by Bartok, Beethoven and Debussy (020-627 0466)

Muziektheater Tomorrow: Netherlands Opera gives world premiere of Louis Andriessen'e new opera Rosa, with scenario and production by Peter Greenaway, and cast headed by Lyndon Terracini, Marie Angel and Roger Smeets (repeated Nov 5, 6, 11, 14, 17, 20, 22, 25 and 28). Thurs, Fri: Jean Cocteau's film Beauty and the Beast, with live accompaniment by the Philip Glass Ensemble (020-625 5455)

■ BASLE

Stadtcasino Tomorrow, Thurs: Ronald Zollman conducts Basle Symphony Orchestra in works by Liadov, d'Albert and Musorgsky/Ravel, with cello soloist Antonio Meneses. Sun: Christian Zacharias piano recital (061-272 1176)

■ BRUSSELS

Palais des Beaux Arts Thurs: Maria Joao Pires piano recital. Fri: Yuri Simonov conducts Belgian National Orchestra in works by Rakhmaninov, Prokofiev and Beethoven (02-507 8200)

■ CHICAGO

MUSIC

Lyric Opera Mirella Freni and Placido Domingo star in Giordano's Fedora tonight (repeated on Fri, next Mon and Thurs with José Cura in the tenor role). This month'a repertory also includes Il barbiere di Siviglia with Frederica von Stade and Rockwell Blake, Capriccio with Felicity Lott and Canbdide directed by Harold Prince (312-332 2244)

Chicago Symphony The next concerts are on Nov 10, 11 and 12, when Lawrence Foster conducts works by Lindroth, Beethoven and Enescu (312-435 6666)

THEATRE

- The Sisters Rosensweig: the national touring production of Wendy Wasserstein'e hit Broadway comedy about the mid-life reunion of three Jewish sisters from Brooklyn. Final week (Shubert 312-902 1500)
- Angels in America: Tony Kushner's two-part epic is directed by Michael Mayer, with Jonathan Hadary as Roy Cohn (Royal George 312-988 9000)
- The Winter'e Tale: Shakespeare Repertory has the Chicago market cornered on productions of the Bard's works. Artistic director Barbara Gaines has a go at his late romance (Shakespeare Repertory 312-642 2273)
- Laughter on the 23rd Floor: Neil Simon'e newest comedy, about the golden days of live TV comedy, is currently enjoying an open-ended run (Briar Street 312-348 4000)

■ GENEVA

Grand Théâtre The Bartered Bride opens next Mon for six performances. Elijah Moshinsky'e ENO production has been restaged by David Ritch and will be conducted by Bohumil Gregor. The cast is headed by Valentin Prolat, Gwynne Geyer and Kristinn Sigmundsson (022-311 2311)

■ THE HAGUE

Dr Anton Philipszaal Tomorrow: Netherlands Wind Ensemble plays works by Mozart and Keuris. Sat evening, Sun afternoon: Leonid Grin conducts Hague Philharmonic Orchestra in Bruch and Dvorak, with violin soloist Yayoi Toda. Next Mon: Ivo Pogorelich piano recital (070-360 9810)

■ ROTTERDAM

De Doelen Tonight: Vermeer Quartet. Tomorrow: Yevgeny Svetlanov conducts Russian State Symphony Orchestra in works by Liadov, Tchaikovsky and Skryabin. Thurs: Ivo Pogorelich piano recital. Fri: Yoel Levi conducts Rotterdam Philharmonic Orchestra in Weber, Hindemith and Brahms, with piano soloist Emanuel Ax. Sat: Carlo Domeniconi guitar recital. Mon: Combattimento Consort plays baroque and early music (010-217 1717)

■ VIENNA

- Riccardo Muti conducts Roberto de Simone's production of Cosi fan tutte at Theater an der Wien tonight, Thurs, Sat, next Mon, Wed and Fri. The cast features Barbara Frittoli, Vesselina Kasarova, Cecilia Bartoli, Michael Schade, Boje Skovhus and Alessandro Corbelli. The State Opera is closed for technical alterations till Dec 14 (58885)
- Neville Marriner conducts the Academy of St Martin in the Fields and Vienna Singverein in Beethoven's Missa Solemnis tonight at the Musikverein. The soloists include Jean Rigby and Anthony Rolfe Johnson. This week's concert programme also includes recitals by pianist Andrei Gavrilov, the Cleveland Quartet and tenor Deon van der Walt (505 8190)
- Vienna's contemporary music festival, Wien Modern, runs till Nov 28, with daily performances at a variety of venues around the city. This year's featured composers are Morton Feldman, George Crumb, Helmut Lachenmann, Karl Schiske and Günter Kahowez. Claudio Abbado conducts an orchestral concert on Sun, including a Kurtag world premiere (7124 6860)
- Giorgio Strehler directs a new Burgtheater production of Pirandello's The Mountain Giants, opening Nov 15 (514440)

■ WASHINGTON

KENNEDY CENTER

- This week'e National Symphony concerts are conducted by Marin Alsop and Zdenek Macal. Alsop conducts tonight's programme of Schumann and Tchaikovsky, with cello soloist Gustav Ravinius. Macal conducts Rands, Mozart and Beethoven on Thurs, Fri, Sat and next Tues, with piano soloist Alexander Paley (202-467 4600)
- Washington Ballet gives performances tomorrow, Thurs, Fri and Sun afternoon. The programme consists of choreographies by Balanchine, Goh and Lustig (202-467 4600)
- Washington Opera opens its new season on Sat with Gounod's Faust, with Jianyi Zhang in the title role and Jeffrey Wells as Mephistopheles (repeated Nov 10, 13, 15, 18, 21 and 26). The second production is Le nozze di Figaro, opening Nov 12 (202-467 4600)

THEATRE

- Old Times: Washington Stage Guild presents Harold Pinter's play about power within relationships. Till Nov 20 (202-529 2084)
- Duet: Otho Eskin's play about what might have happened if Sarah Bernhardt had met Eleonora Duse. This week only at Folger Shakespeare Library (703-549 0002)
- Henry IV: an adaptation of Parts I and II of Shakespeare's history plays. A Shakespeare Theater production at the Lansburgh. Final week (202-393 2700)
- Artificial Jungle: the last play written by Charles Ludlam is a hilarious spoof on marriage in jeopardy. Opens next Mon at Woolly Mammoth Theater (202-393 3939)

■ ZURICH

Opernhaus The main event this week is the revival on Fri of Gounod'e Roméo et Juliette, conducted by Serge Baudo and staged by Bernard Uzan, with a cast headed by Isabelle Rey and Francisco Araiza (repeated Nov 6, 9, 11, 17, 20). Ruth Berghaus' production of Katya Kabanova receives its final performances on Thurs and Sat, with cast headed by Ana Pusar and Peter Straka. The Zurich Ballet presents choreographies by Ek, Bienert and Van Manen on Sun, and Alban Berg Quartet gives a recital next Mon (01-262 0909)

Tonhalle Wolfgang Holzmair gives a song recital tonight (01-261 1600)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

PERSONAL VIEW

Party politics of growth

UK politicians have recently begun debating the economic theory of "andogenous growth". For a visiting economist from the US, it is hard to know which side in the discussion to prefer.

The Labour party's shadow chancellor, Gordon Brown, seems serious in his attempts to understand and apply the idea. However, he uses it in a confused way to rationalise government intervention in the economy.

On the government side, chancellor Kenneth Clarke dwells on the funny sound of endogenous growth and depicts it as some sort of econo-babble thet he need not try to understand. I suppose if it really were "indigenous growth", as he recently joked, be would be correct.

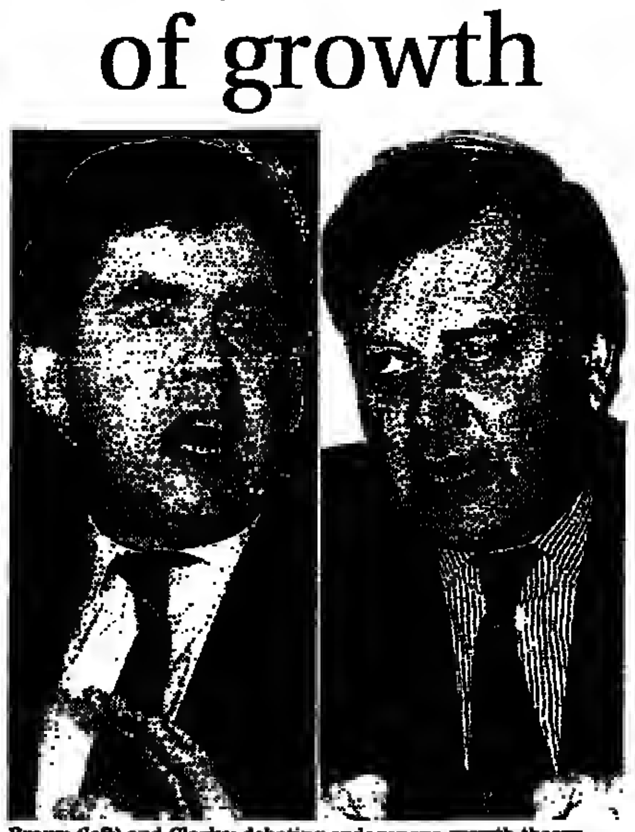
With some temerity, I venture to explain the origins of endogenous growth and its relation to the older neoclassical theory of economic growth.

The neoclassical model, developed in the 1950s and 1960s, assumed that technological change was needed if growth of income per head were to be sustained in the long run. Without it, growth would slow as the returns on capital such as machines, buildings or akills diminished.

The rate of technological progress, however, could not be explained by the theory, so it was treated as an *exogenous* influence. This was not as a matter of principle but because the necessary theoretical advances had not been made. As a consequence, the economy's long-run growth rate was exogenous: the theory could not explain what drove it.

There was a role in the neoclassical model for investment and government policy in stimnlating economic growth. Growth can be increased for a long time by more investment and better policies such as lower marginal tax rates, more productive infrastructure, better enforcemant of laws and contracts, price stability. But in the very long run, the neoclassical theory cannot explain what drives growth.

In the lata 1980s, Paul Romer, an economist at the University of California at Berkeley, came up with a theory that appeared to explain the factors behind technological advance. He postulated that it was commercial research and development which led to the discovery and adoption of new technologies, products and ideas. By explaining the rate of technological progress in economic terms, the factors behind a country's long-run growth rate were endogenous, contained within the model.



Brown (left) and Clarke: debating endogenous growth theory

A crucial element in technological progress in this theory was the reward given to innovators. In the absence of some prize, would-be entrepreneurs have no incentive to carry ont costly and often unsuccessful research projects. Typically, the reward is a temporary period of monopoly power, during which a new product or the fruits of an improved technology can be priced above the competitive level.

This process is clear for pharmaceuticals, where discoveries are protected for a period by patenting – a fact thet appears to escapa US health reformers such as Hillary Clinton. She wants to force competition on pharmaceuticals companies that produce successful drugs without worrying about whether any naw drugs would ever be developed.

In Romer's model, the growth rate may he lower than is desirabla and there may be a role for government in promoting growth. Many obsarvers have taken this conclusion as a licence to advocate government intervention, such as trade restrictions, support for favoured industries and regulation of the labour market.

In fact, the main policy implications from the endogenous growth model are that the government should support basic research (especially that by economists at American universities!) and take a more favourable view of monopoly in high-growth sectors.

Some analysis by endogenous growth theorists suggests that many kinds of government intervention – such as industrial policies aimed at picking and subsidising technological winners, distortions of international trade, and restrictions of labour markets – are especially damaging because they reduce long-term growth rates. Endogenous growth theory cannot be used to justify minimum wage rates, strong labour unions, housing subsidies or large welfare payments.

From an empirical standpoint, the most successful framework for understanding growth has proved to be a combination of the new, endogenous growth theory with the older, neoclassical model. The new theory explains the growth performance of technological leaders; in particular, why these countries – and therefore the world as a whole – can grow for very long periods without tending to slow down. The older model shows how lagging countries can catch up by accumulating capital and copying tha new technologies developed elsewhere.

Statistical analysis of data from about 100 countries from 1960 to 1990 reveals a number of variables that influence the growth rate of real GDP per head. The growth rate tends to be higher if the government protects property rights, maintains free markets and spends little on non-productive consumption. Also helpful are high levels of human capital in the forms of education and health, and low fertility rates.

More public investment in infrastructure such as transport and communications may be useful. But the present evidence indicates that returns are typically no higher than those from private investment.

If two countries pursue similar policies, the country that starts with a lower level of real GDP per head is likely to grow faster. In other words, if a poor country can maintain good policies and accumulate a reasonable level of buman capital, then it tends to catch up with the richer countries (as has happened with east Asian tigers such as South Korea and Taiwan). However, countries are likaly to remain poor if their governments distort markets and fail to maintain property rights.

Overall, the new theory and empirical work on economic growth supports the general thrust of the economic policies such as privatisation and deregulation undertaken by the Tories during their long tenure in office. Thus, it is all the more surprising that chancellor Clarke chooses to ridicule this recent research with anti-intellectual jokes.

Even worse are the remarks of UK trade and industry secretary Michael Heseltine, who apparently referred to endogenous growth as Balls, in a reference to Edward Balls, Gordon Brown's economic adviser. I suppose that I will never understand British humour.

Robert J. Barro

The author is professor of economics at Harvard University, currently on leave as Houblon-Norman Research Fellow at the Bank of England

Joe Rogaly

High noon for the media

One day our alected representatives will decide that Britain's newspapers and broadcastars are getting too big for their boots. The worms will turn. We may then see a protracted struggla, as with tha trade unions in the 1980s, designed to put the media in their place. A future government – it could be the Conservatives, but it is more likely to be Labour – might manipulate cross-ownership rules, codify the activities of self-regulatory bodies, impose a right of reply, or introduce laws safeguarding individual privacy and imposing severe penalties for journalists who obtain information by deception. Blueprints for such legal weapons, and others, lie in Whitehall files. Their deployment is the stuff of politicians' averyday fantasies. Only the courage is lacking.

Not everyone sees a need to crunch us. The most skilful practitionera understand that we are easily seduced. Mr Tony Blair, the Labour leader, is a sophisticate who knows how to influence reporters and commentators alike. So do some Conservative bigwigs such as the foreign secretary and the chancellor, neither of whom could argua convincingly that the prime minister is a consummate master of the art. Against that, your average run-of-the-mill Labour politician deeply mistrusts the media. Most Conservative members of parliament are angered by what they regard as its muck-raking.

Certain ministers are afraid of what we might say, some of them with reason. Since Mr John Major became prime minister his collaagues have clunked over like ninepins, usually following the publication of details about this or that lapse and always after a period during which No 10 Downing Street had intimated that so-and-so had the personal backing of the PM. One or two were fired simply because they were bad at their jobs. I would not seek to differentiate between these categories. Most of those concerned were small fry, their ill fortune best forgotten. Yet some – Mellor, Lamont, Patten, to take but three – live on in our memories.

What links them all, sharks and piranhas alike, is that they can be said to have been "brought down by the media." I place the phrase in quotation marks, becanse it was of course their own behaviour, or inept managamant of their dapartments, that destroyed their careers. It is true that Mr Major'a main excuse for dismissing Mr Norman Lamont as chancellor was the latter'a lack of presentational skills, but that is an exception. The junior ministers lost to the public service over the past fortnight were undoubtedly dismissed by the media. The first resigned voluntarily, acknowledging fault. The second was obliged to go, in response to accusations said by the government to be *unsubstantiated* and *unfounded*.

Politicians would use any privacy law as a shelter behind which to hide derelictions in the performance of their public duties

The prime minister'a defence of his ministry might have been more rohust if he had commanded a three-figure majority, or if his party enjoyed more public support. Alas, the Conservatives' overall lead in the Commons is heading for the lower teens and sinking. In consequence, disgruntlad back-henchers exercise disproportionate power. Mr Major must balance the demands of the right and the Eurosceptics against his comprehension of what the electorate expects. Conservative newspapers that helped him to victory in April 1992 hava turned against him. Some, such as the Sun, occasionally appear to be flirting with Labour; others, such as the Sunday Telegraph, hold him in contempt.

The primary source of the most recent spate of discomfiting stories about the Tory administration has been The Guardian. In pursuing one inquiry, Mr Peter Preston, its editor, used doctored parliamentary notepaper as a subterfuge, to protect his sources. No deception was involved, he says. Mr Preston acknowledged yesterday that "It would have been better in retroapact to have nsed another heading on the notepapar". The Speaker of the House has asked for a report. Labour says that The Guardian was wrong. The Tories have gleefully pointed their fingers at its editor. Evan the mortally wounded may strike back when they see a weak spot in their opponent's defences.

Yet it would be surprising if this single incident became the trigger for a government attempt to roll back the power of the media. Earlier this year the Sunday Times used its own tricks of the trade to entrap a pair of minnows, both backbench Conservative MPs, in an inquiry into the receipt of cash for asking parliamentary questions. Its methods were upheld hy tha newspaper industry'a self-regulating Presa Complaints Commission. Against that, a recent poll by the Association of British Editors indicates some 80 per cent of backbenchers of all parties think the PCC is a failure, while more than half would replace it with a statutory body.

My own view has changed. I have previously argued in favour of a privacy law, incorporating Article 8 of the European Convention on Human Rights – "Everyone has the right to respect for his private and family life, his home and his correspondence." Canada, France, Germany, Denmark and the Netherlands have such laws. Wronged individuals would be able to sue, as they do now for libel. There would be a public interest defence. Acceptance by the media of such a bill could be traded for a Freedom of Information act.

This argumant has been eroded by the co-operation of many individuals, from royalty downwards, in the destruction of their own privacy. Never mind the public interest defence. Politicians would use any privacy law as a shelter behind which they could hide deralictions in their performance of their public duties. The freedom of information act is wishful thinking. The Conservatives refuse it, and while Labour promises one we must await the fine print before pronouncing it worthwhile.

It would, however, be a mistake to conclude that because the government has not so far put forward a press control bill it will never do so. Sir David Calcutt, who offered a list of proposals in an official report four years ago, recently questioned whether there was any political will to implement his recommendations. Ha remembers the statements of past ministers, the warning that the media was in "last chance saloon". It may not be there at the moment, not while our gunslingers have the saloon surrounded, with anipers on every roof. But one day...

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Unwelcome local surprise

From Mr Mike Hancock.

Sir, You are guite right to report that the Local Government Commission's proposal for a unitary council for New Forest came as a surprise – an unwelcome surprise.

Your report perhaps lets us guess at how the commission came to make what, on any reasoned consideration of the facts, seems completely the wrong decision.

You report Sir John Banham, the commission chairman, as saying that members were swayed by "overwhelming support for a unitary authority independant of Hampshire, with 60 per cent of residents in the New Forest in favour of this option". He must have meant "respondents" – those writing to the commission with views – because there is no "overwhelming support".

About 6 per cent of the New Forest electorate sent comments to the commission. Some 4,700 people, 3.5 per cent of the alectorate, supported the commission's second-choice for an all-unitary structure of local government replacing county and district councils throughout Hampshire. A separate survey for the commission showed, from a sample of New Forest residents, that a third wanted no change and only 37 per cent, not 60 per cent, wanted a unitary structure.

The changes proposed by the commission would add up to £5m a year, every year, to the cost of running local government in Hampshire. That is what it costs to run two big secondary schools a year. On top of that, council taxpayers would have to find up to £12m to pay the one-off costs of making the change. That is more or less what it costs to build a new secondary school. And the commission's report accepts the problems the councils will face in trying to prevent service quality falling.

If Sir John and the commission have so misinterpreted the data before them, it is no wonder we have a recommendation which many Hampshire residents find so unacceptable.

The simple facts are that of the 55,000 comments made to the commission, more than half supported the commission's earlier proposal for no change except in Portsmouth and Southampton. Another 8,500 wanted no change at all. That, Sir John, is the voice of the clear majority!

Mike Hancock,
leader,
Hampshire County Council,
The Castle,
Winchester SO23 8UJ

Sharpening of public scrutiny is vital

From Jon Stern and Richard Price.

Sir, The Fundamental Expenditure Review of the Treasury has inevitably generated widespread debate. As ex-Treasury micro-economists now working as economic consultants in the private sector, we strongly endorse your concerns (Leader, October 20) about the implications for public expenditure control.

In essence, there are two ways of effectively controlling public expenditure.

The first is tha traditional British way in which a central agency (the Treasury) controls all aspects of public expenditure by active and detailed monitoring and control over the composition, as well as the volume, of all public spending programmes.

The second way is to decentralise, setting overall financial targets but opting out of monitoring the composition of expenditure. This requires setting and enforcing hard budget constraints on all public sector bodies. Those that cannot cover their costs from the revenues allocated from the centre then have either to cut back their activities, to increase revenues, or to borrow on capital markets without central government guarantees. This is the model on which states and local authorities operate in the US and the Länder operate in Germany.

As a relatively centralised, unitary country, Britain has consistently opted for the former model and the Treasury has traditionally been its strongest advocate. The Fundamental Review, however, marks a significant shift towards the decentralised model. The main worry must be thet devolving responsibilities as proposed will not, in practice, be accompanied by an effective hardening of budget constraints on government departments, agencies and quangos.

Your leader is also right to point to the Treasury's rola in dealing with departmental advocacy of vested interests. Your recent article ("Helicopter makers in a spin", October 6) on important forthcoming defence procurement decisions, demonstrated the pressures that powerful industrial groups can wield.

The Treasury has played an important role in forcing proper examination of the economic choices underlying such decisions. It would be a big loss if the proposed Treasury functional and staff cutbacks led to a reduction in the power of the appraisal process and an increase in the influence of "do-it-yourself" economics.

As the chancellor has accepted the review as the basis for action, the key question is how to ensure thet these potential dangers are minimised. The answer must involva increased public scrutiny. In particular, the rola of systematic evaluation becomes even more important in the new system, both in assessing the economic effectiveness of programmes and in comparing outcomes against their objectives.

Progress in public scrutiny will be a big factor in determining how far private sector financial disciplines can be applied to the puhlic sector, including tha decentralised bodies developing in areas such as health and education.

Jon Stern and Richard Price,
National Economic Research Associates,
15 Stratford Place,
London W1N 9AF

An unpalatable fix for some European regions

From Mr Roddy Campbell.

Sir, Christopher Jackson, (Letters, October 26) correctly states that moving to irrevocable fixed exchange rates is a more attractive option in many ways than moving straight to a single currency. Cocaine is also a lower health risk than heroin, and I suspect he would find the medium-term effects of either fix unpalatable.

The basic economic argument is clear, and cannot be repeated too often. It is that fixed axchange rates in an environment of less than free capital and labour markets, both in mobility and price, worsen regional recessions.

Europe's labour markets are far from free, and we are facing a big employment challenge now and for the foreseeable future.

The introduction of fixed rates can only make that challenge harder.

As Germany will not accept a common currency, but would accept fixed rates, I expect we will get them, and the unemployed somewhere in Europe will be paying for Mr Jackson's "relief from the cost and fuss of changing currencies".

Roddy Campbell,
50 Leamington Road Villas,
London,
W11 1HT

Government of UK is out of the loop

From Judith Church, MP.

Sir, Your article, "France ponders superhighway gamble" (October 27), raises important issues which need to ba addressed in this country.

France Télécom's reluctance to accept the central financial rola recommanded in Mr Théry's report is in direct contrast to the position of British Telecom, which is one of the leading players in the information superhighway dialogue in the UK and has already made a commitment to a £15bn investment in tha infrastructure.

The technology, the financial means and, crucially, the vision to develop a UK plc information snperhighway exist, but our main obstacle is the government's lack of a strategic policy.

As stated in the trade and industry committee's report on optical fibre networks, published in July: "There appears to be littla sense of urgency and a lack of a clear sense of vision about what hroadband communications could do for the UK and its people."

We need urgent action to address the implications of the developing global information infrastructure and the role of the private sector in this process. Removal of the asymmetry principle is one example of what is needed.

The telecommunications industry waits for no person. Labour recognises that government has a crucial responsibility in propelling UK plc into the lead in the development of a European and global information infrastructure. At the moment it'a on everyone's agenda except this government's.

Judith Church,
House of Commons,
London SW1A 0AA

A nod does not suffice as the law

From Mr K S Francis.

Sir, Surely if Lloyd'a is to recover monies receivable by Names arising from successful court cases against member's agents, and so forth, it should not be permitted to do so on the nod of the secretary of state for trade and industry but only following new legislation and proper open debate?

K S Francis,
51 Sole Farm Road,
Great Bookham,
Surrey KT23 3DQ

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Tuesday November 1 1994

Mandate for no change

In a week's time, Americans will go to the polls after the most mean-spirited mid-term elections in living memory. The signs are that, thanks to President Bill Clinton's recent successes abroad, the outcome for the Democratic party will ba less cateclysmic than many feared. But the Congress that emerges looks unlikely to be equal to the challenges facing the country in the years ahead.

A month ago, many were predicting historic victories for the Republican party in the elections on November 8. Party leaders spoke, not only of regaining control of the Senate, but of overturning the Democrats' 50-year-old majority in the House of Representatives. The elections, they claimed, had become e national referendum on Mr Clinton, and the president – and his party – were losing.

Mr Clinton's creditable showing in the Middle East and elsewhere appears to have turned the anti-Democratic tide e little. But it is a reflection of the low expectations surrounding the campaign that retaining control of the House – if not the Senate – would now be seen as something of a victory for the Democrat camp.

It is hard to pin the voters' discontent on the economy. Three and e half years into recovery, the country is materially better off than it has been for some time. Yet rather than reward Democrats for this performance, the electorate has seemed determined to punish them for the government's inability to solve the country's deeper social problems, such as the high crime rate and the dismal state of the inner cities.

In the face of this anti-government mood, Mr Clinton has increasingly turned towards foreign policy in recent months: the one domain in which government activism is not now associated with failure. Candidates in the field have not had this option. For the most part, they have simply been driven to trying to convince voters that they are as down on Washington as the country et large is.

Uncompromising climate

Clearly, Incumbent Democrat senators and congressmen fare poorly in such an uncompromising climate. But so does anyone with a moderate, more pragmatic, conception, of what government might hope to achieve through social and other legislation. In many regions, the candidates that have thrived have been those on the extreme right, who reject moderate solutions out of hand.

Bipartisan coalitions

This kind of polarisation was already much in evidence this summer, in the Republicans' comprehensive blocking of health care legislation. But, judged by the campaign, the 104th Congress will be even less inclined to form bipartisan coalitions to get legislation passed.

What does this imply for the rest of the world? In the short term, the events of the past few months make it even more crucial that the "lame-duck" sitting of the current Congress, in the period just after the election, is able to ratify the outcome of the Uruguay Round of the Gatt. Whatever the difficulties this presents, mustering the required votes next year could be harder still.

In the longer term, there is still a chance that Mr Clinton will return to the question of health care reform. But he will have little chance of passing the kind of comprehensive reform he promised in 1992. More incremental measures may be possible, along, perhaps, with e package of welfare reforms which might muster sufficient Respublican support.

The true casualty of these elections, however, is the prospect for reforms in areas of US government which require more ambitious bipartisan coalition-building in Congress: above all, the country's bloated system of entitlements. Neither the Republicans nor the Democrats have proposed suggestions for reforming that system during the campaign which make any sense. Yet without fundamental – and politically unpopular – tax increases and cuts in spending, the federal budget deficit will begin to rise again in only a few years time.

Tha US electorate has spent recent months bemoaning the failings of "big" government. For all that, they seem determined to elect a new Congress which is singularly ill-equipped, either to make it any better, or to make it any smaller.

A competitive defence base

From the British ministry of defence comes the sound of arms being heavily twisted. Both British Aerospace and GEC are lobbying hard for their respective bids for the VSEL submarine yard in Barrow to receive official backing. BAe's case is that, since it does not currently own e shipyard, its bid presents no competition difficulties. However, it thinks that GEC's bid would generate an unnecessary monopoly, since GEC owns Yarrow on the Clyde, the only other big warship yard in the UK.

GEC argues that, in practice, the pattern of warship orders likely over the next 10 years means that there would be little competition even if the two yards were owned by different companies. It therefore makes little difference if the two yards are owned by one company.

The ministry of defence's position is disturbingly obscure. It has quite rightly championed the cause of competition in defence procurement for the past decade, saying that the policy is "fundamental to achieving value for money". Until recently it was also saying privately that it would not look favourably on e GEC bid for VSEL for precisely those reasons.

As soon as the bids appeared, however, the ministry became coy. All it will say is that the issue will be decided by the competition authorities – in this case the Office of Fair Trading – and that its submissions to the OFT will be confidential. Yet since the MoD is the only UK defence customer, its view will decide the issue. So, unhappily, secret submissions to the OFT may, or may not, mask a policy shift on competition in procurement.

Monopoly supplier

In deciding its position the ministry will have to weigh the extent to which the necessary consolidation of the defence industry following the end of the cold war should be balanced against maintaining as much competition as possible. In the narrow case of the bids for VSEL, the case for a reduction in competition is not obvious. Since GEC will undoubtedly have to guarantee the future of both yards, creating a monopoly supplier will not lead to rationalisation and cost savings. The MoD thus has little reason to upend its arguments in favour of maintaining competition by allowing the GEC bid to proceed.

The underlying problem is that the MoD, rather than seizing the initiative, is allowing defence competition policy to evolve in a purely reactive fashion. The rapid decline in US and European defence spending requires a drastic change in the structure of defence industries. This is already happening in the US, but is proving regrettably slow to materialise in Europe, largely because European governments are reluctant to allow cross-border rationalisation.

Argue strongly

The UK is uniquely well placed to influence this process. If it chose, it could argue strongly with other EU governments for a more open market for Europe's defence manufacturers, giving them the freedom to choose how to rationalise in e market almost as large as that of the US. Instead, the MoD has sat back and argued that the market should decide.

The trouble is that the market in defence procurement is far from free. If it were, many companies would probably opt to rationalise within business sectors. That might produce fewer, Europe-wide missile, aircraft and electronics manufacturers, rather than thinly-spread national companies. Provided such specialist companies were prepared to follow commercial logic in their rationalisation, as opposed to political pressure, they could operate at lower cost than national defence champions. They might also become genuinely competitive against the giant US firms now emerging, in contrast with the current situation in which uncompetitive and under-resourced national companies are awarded contracts for purely political ends.

The MoD's competition policy over the past 10 years points clearly towards a rationalised European defence industry with increasing two-way competition between US and European products. The risk of the current drift in UK policy is that ad hoc decisions on specific cases will give rise to an ill-conceived, nationally-based industrial structure. This will neither give the MoD best value for money nor be able to compete successfully on the world stage.

A turn for the worse in Bosnia

Bruce Clark explains the UN dilemma and the diplomatic disarray provoked by the Moslem army offensive

Whenever the fighting in former Yugoslavia subsides, more comfortabla parts of the world forget about it with relief. They have largely done so since February, when e ceasefire brought a minimum of normality to Sarajevo.

But in the last few days, that complacency has been shattered. In its most spectacular offensive since the war in Bosnia-Hercegovina began nearly three years ago, the Moslem-led government army has burst out of its position near the enclave of Bihac and captured over 100 square miles of territory.

It has put to flight thousands of Serb soldiers and civilians, and threatened tha Serb-held towns of Bosanska Krupa and Bosanski Petrovac. There have also been Bosnian government offensives to the south and west of Sarajevo, and the city's suburbs have again been shelled.

UN peacekeepers have come under shellfire from government soldiers who refuse to leave the strategic Mount Igman, outside Sarajevo. From the Serbs, they have faced kidnappings and the obstruction of fuel deliveries to eastern Bosnia.

UN officials – who need a minimum of co-operation from all parties to function effectively – edmit to being near the the end of their tether. Yet winding down their giant operation in former Yugoslavia, which involves 40,000 troops from 36 countries, may turn out to be more disastrous than retaining it.

"Our peacekeeping effort has continually been tested by the warring parties, and in recent weeks the conflict has intensified," says Mr Michael Williams, chief spokesman for the UN in Zagreb.

In theory, the peacekeeping operation was given more teeth by the UN, which last week agreed tougher procedures for air strikes with Nato, which is responsibla for policing the Bosnian skies. But Nato's insistence that any bombing raids be on e much larger scale than before could make UN commanders more reluctant to invoke air power. And it would be almost impossible politically to usa Nato aircraft egainst the Bosnian government army, which enjoys strong US support.

In the diplomatic arena the picture is scarcely more encouraging, with divisions between the five nations in the international contact group on Bosnia which is leading efforts to arrange a peaceful settlement. The key to progress was supposed to be the unity of the group's members: the US, Russia, the UK, France and Germany.

But now they are divided over a US-sponsored resolution in the UN Security Council that would authorise arms supplies to Bosnia in six months – unless the Serbs accept a peace plan. If the resolution is pushed to a vote, it will be blocked by UK and French abstentions and possibly a Russian veto.

Worse diplomatic disarray has been avoided with the dropping of Washington's demand for an immediate lifting of the arms embargo against Bosnia. But the ability of the five to act together with credibility has already been compromised.

Both the renewed fighting, and the crumbling of international consensus, bring closer the spectre that haunts every actor in the Bosnian drama: a UN pull-out in what military planners euphemistically describe as "non-benign" conditions – under fire from one or more of the warring factions. Nato's plans for this scenario run to thousands of pages; they remain secret, but are assumed to envisage hundreds of casualties and the temporary deployment of up to 20,000 extra ground forces to cover the withdrawal.

It is hard to imagine how Nato could assemble such numbers at speed without including some US troops. It is, however, even harder to imagine how the US could agree to the inclusion of their armed forces in view of the American electorate's acute reluctance to eccept losses in foreign wars.

Either way, a bloody withdrawal from Bosnia could shake both transatlantic relations, and the international order, to their foundations. This, in turn, would cloud prospects for concerted diplomatic action over a host of other regiooal problems, from Iraq to Indochina.

The pull-out of UN peacekeepers could also leave behind a bloodbath in Bosnia in which the death toll would far exceed the 200,000 or so already chalked up.

If the events of recent days do portend a serious turn for the worse, it is quite possibla – strange as this may sound – that historians will view the last eight months as a period of success in international policy towards the region.

While each of the outside powers involved in Bosnia has its own strategic aims, there are four goals to which all are committed:

- The prevention of a humanitarian catastrophe by distributing aid, and sheltering civilians from the worst effects of tha war.
- Tha geographical containment of the fighting, so that it does not spread through ex-Yugoslavia and the Balkans.
- The avoidance of any breakdown in relations between the world's leading powers because of disagreement over Bosnia.
- The creation, if possibla, of conditions for a long-term settlement which is viabla and not too unjust.

The four objectives have been difficult to pursue simultaneously, because they often point in contradictory directions. It is not possible, for example, to feed civilians without feeding armies, which prolongs the fighting.

However, if there is no progress towards the fourth aim of a settlement, the successes on the first two will be compromised, because the political will to maintain the huge humanitarian relief effort and vigorous preventive diplomacy will start to flag. Conversely, if one outside power intervenes unilaterally to promote the fourth goal – by altering the battle lines and imposing what it considers to be a just outcome – the other three goals could be left in ruins.

That is what the British, French and Russians will be telling the US et this week's Security Council debate: far from bringing peace to Bosnia, the creatioo of a "level killing field" through arms deliveries to the Bosnian government could trigger e new humanitarian nightmare and bitter international recrimination.

Compared with the disasters which might have occurred, the world community has achievements to its credit, at least on the first three goals. With the completion last week of the 10,000th aid flight to Sarajevo, the UN can point to some success in meeting the first objective.

There has also been success oo the second froot: thanks to (mainly US) diplomacy, the Serb-Moslem stand-off in Bosnia has not so far triggered an even bigger conflict to the south between the Serbs and the mainly Moslem Albanians.

Last July, when the five cootact group nations threw their weight behind a new peace plan for Bosnia, they were ostensibly pursuing the fourth objective, a long-term settlement. Yet in practice, the peace plan – which would allocate 51 per cent of Bosnia's territory to a Moslem-Croat federation and the rest to the Serbs – had much more to do with the third goal of maintaining international consensus.

Karadzic, in military uniform, addresses the crowd in Bosanski Petrovac Reuter

Rather than having any practical effect, the peace proposel has served as a kind of totem to which all the outside powers can pay homage, and a standard by which the good intentions of the parties on the ground can be judged.

Serbia's President Slobodan Milosevic has emerged triumphantly from opprobrium by accepting the plan, while his rival, the Bosnian Serb leader Mr Radovan Karadzic, has fallen further into disrepute by saying no.

The renewed fighting and the crumbling of international consensus bring the possibility of a UN pull-out closer

Few close observers of the conflict see the slightest chance of the warring parties agreeing to implement the plan, which would require the Bosnian Serbs to give up 20 per cent of the land they have staked out end largely "ethnically cleansed" of noo-Serbs.

Bosnia's Moslem leaders have eccepted the map, albeit reluctantly. But they admit that they have accepted it only because they see no risk of having to implement it: thair Serb advarsaries were always bound to say no.

There is little prospect that outside powers will come up with a new map. The best hope is that the parties will agree among themselves on adjusting the plan, after exhausting all military options.

But even if the contact group's peace plan is dead, there have been some encouraging hints of progress towards a comprehensive settlement in the former Yugoslavia.

One sign is the covert diplomacy that has been going on since the summer, including a secret meeting between army commanders from Belgrade and Zagreb.

Efforts towards a peace settlement in Croatia – based on full diplomatic recognition between Belgrade and Zagreb, and some autonomy for the Serb-dominated areas of Croatia – appear to be moving into higher gear. After months of intricate negotiations, involving tha US and Russian embassies in Zagreb and envoys of the European Union and the UN, it was announced last week that Zagreb and Belgrade will hold regular meetings at foreign minister level.

Serb-Croat reconciliation does not automatically bring peace in Bosnia closer. Whenever Serbs and Croats talk, the Moslems become nervous, on the understandable ground that tha most likely subject of these discussions is carving up Bosnia.

But for the present, the Croat-Moslem federetion agreemant stitched together last February under strong international pressure is holding. In Mostar, which had its Moslem eastern half subjected to a ruthless siege by the Croats last year, about 30 hard-pressed bureaucrats from the EU are working, with modest success, to promote reconciliation and ensure that basic municipal functions are carried out.

In return for international respectability, Croatia's leaders have set aside aspirations to carve out a slice of Bosnia for themselves. President Milosevic, for similar reasons, seems willing in principle to recognise tha territorial integrity of both Bosnia and Croatia.

Advances such as these have made the recent French proposal for a meeting between the presidants of Bosnia, Croatia and Serbia more plausible. This would not mean an instant end to all fighting; but if it allowed the broad lines of a settlement in former Yugoslavia to be laid out, it would be a big step forward. At the very least, the diplomatic efforts of recent months have put in place building bricks for a settlement to be constructed.

The letest upsurge in fighting might scupper that process. However, it might just conceivably help it along. The Bosnian Serbs' current reverses could make them more willing to sue for peace on terms acceptable to the rest of the world.

Some observers in Belgrade believe that Mr Milosevic would not be too unhappy to see the power base of his rival, Mr Karadzic, confined to eastern Bosnia. This could happen if the Bosnian Serbs continued to suffer military defeats in the far north of the republic, and the political friends of Mr Milosevic gained the upper hand in the Serbs' stronghold of Banja Luka.

A bleaker scenario, however, is that the Bosnian Serbs will be so badly humiliated that politicians in Belgrade, and perhaps Moscow, find themselves under irresistible moral pressure to coma to their aid.

Since his apparent conversion to the cause of e peaceful settlement last August, Mr Milosevic has used his authoritarian state machine, and his control of the media, to insulate himself from nationalist pressures to support the Bosnian Serbs. But the commanders of the Serb-dominated Yugoslav army may not be prepared to stand by indefinitely if their brother officers in the Bosnian Serb forces are subjected to e series of humiliating setbacks.

Another imponderable is the political balance in Russia, where the governmeot might be tempted into pursuing a more stridently pro-Serb policy as e way of parrying hard-line nationalist opposition to its economic programme.

That would end all hope of keeping the contact group together. The outside powers involved in Bosnia might then find the only thing they could agree on was the level of military support each gave to its own friends: the US to the Bosnian government, the Russians to the Serbs.

The last such agreement was in 1989, when Presidents Bush and Gorbachev settled on the deadly principle of "positive symmetry" – or balanced arms supplies to their protégés – in Afghanistan.

As a means of settling a civil war, that is not a happy precedent. While the deal helped take the Afghan issue off the international agenda, it eiso stoked the fighting that reduced much of Kabul to smouldering rubble. And unlike the conflict in Afghanistan, an escalating war by proxy in tha former Yugoslavia would be hard to restrict to a single country.

OBSERVER

Steady Eddie vs Villains

■ When will Britain next raise its interest rates? The financial markets were badly caught out by September's rise – so they will be watching tomorrow's meeting between Kenneth Clarke, chancellor of the exchequer, and the Bank of England's Eddie George with more than usual interest.

But City analysts might just as well look to football team Aston Villa's score sheet for guidance, judging by Eddie George's comments to a CBI dinner in Birmingham last week.

The Bank's economists appear to have moved on from testing correlations between productivity in the Black Country and the performance of the region's premier football team. They are now concentrating on the influence of the Villains (as the team is known) on UK monetary policy.

Three years ago, Eddie George's predecessor noted that he had reduced interest rates more times than Villa had won home games. Now George has hinted there will be no interest rate rise until Villa wins a home game.

Assuming tonight's match (against Trabzonspor) does not count – because it is a non-league game – the next key date is Sunday, when Villa meets Manchester United. On past form that should mean little chance of any monetary tightening for at least a week.

Then again, as Goldman Sachs' Gavyn Davies found to his cost seven weeks ago, sticking one's neck out on interest rates can be a foolish business when dealing with Steady Eddie.

Chimes at midnight

■ Something seismic seems to be under way in London. First some areas round Heathrow start to collapse, resulting in underground trains not stopping at terminal four for the next few weeks.

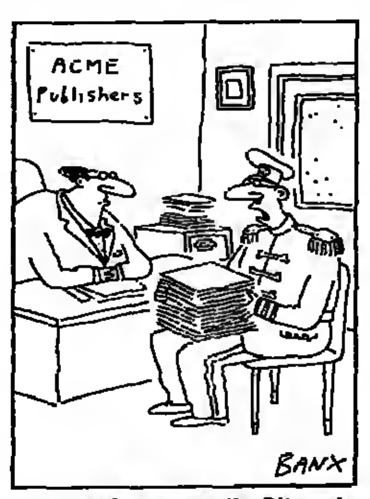
Now one of Londoo's best-known landmarks, Big Ben, has slipped, albeit almost imperceptibly. A 3mm shift on the clock's east face has been detected by electronic sensors, caused by the natural sway of tall buildings and by tidal movements on the river Thames.

With all this talk of (metaphorical) cracks appearing in the fabric of the UK establishment, it's just a trifle spooky to see some real ones too.

Railroaded

■ Running a company during a heated takeover battle sure is stressful. It seems to have taken a particularly tough toll on Drew Lewis, chairman of Union Pacific, battling to win control of rival US railroad operator Santa Fe Pacific.

On Sunday, after raising its bid for Santa Fe to $3.8bn to top



'I'm the doorman at the Ritz and I've written my memoirs'

Burlington Northern's rival offer of $3.2bn, Union Pacific announced that Lewis, a former transportation secretary in the Reagan administration, is taking a leave of four to six weeks to enter an alcohol-treatment programme.

Will this affect the outcome of the bid struggle? Union Pacific will clearly miss him; no fewer than three senior executives are taking on Lewis's duties in his absence.

Sporting life

■ US sports hacks are having a bad time. What with industrial disputes prematurely ending the baseball season and scrapping the ice hockey, what do they cover?

In place of the World Series, Sports Illustrated splashed the Japanese baseball championship. Better than a previous edition, packed with 11 pages of . . . rodeo clowns. Television is hit hardest. ESPN, the sports network, has been reduced to dog shows, ten-pin bowling and surfing from Hawaii. The barrel has now been scraped, with the American Double Dutch Rope Jumping championship.

What's left? Goldfish racing from El Paso?

Puffed out

■ When visiting Jepanese emperor Akihito, please remember not to take him a carton of duty-free cigarettes as e token of your esteem. The anti-smoking lobby persuaded the imperial household that recipieots of Japanese national ewards should no longer get cigarettes but instead a coffee-table book of photographs of Akihito and other members of the imperial family. But isn't the horse-trading involved in such awards conducted – as anywhere – in the proverbial smoke-filled rooms?

PIA pressure

■ When will the Prudential, Britain's biggest life insurer, end its splendid isolation and apply to join the Personal Investment Authority along with the rest of the UK life insurance industry?

Tha question is prompted by the news that Sir Martin Jacomb, a member of the City's great and good, is expected to take over as chairman of the Pru next year. Sir Martin is a director of the Bank of England and a former deputy chairman of the Securities and Investments Board, and can generally be relied upon to toe the establishment line.

Sir Martin was e member of the board when the Pru insisted on exercising its right to be directly regulated by the Securities and Investments Board and the Pru does not sound as though it is bracing itself for a shift. Even so if the Pru is a member of the PIA a year from now it will be a sure sign that its robust chief executive Mick Newmarch is no longer being allowed to have it all his own way.

Shop early

■ Mohamed Fayed's war with John Major's government has the oddest consequences.

Many of Westminster's well-heeled Tory MPs might expect to do some Christmas shopping at Harrods, the famous Knightsbridge store. Which is of course owned by Fayed. Hardly the done thing, perhaps, to be spotted crossing Harrods's threshold at the moment. It might be construed as an act of gross disloyalty to the prime minister.

FINANCIAL TIMES
Tuesday November 1 1994

Coastguard insists on unlimited cover for spills

Tanker rules threaten oil shipments to US

By Charles Batchelor, Transport Correspondent, in London

Tough new rules imposing unlimited financial liability on tankers sailing into US waters could cause severe damage to the tanker industry and halt oil shipments to the US, according to shipowners.

The regulations were first proposed after the sinking of the tanker Exxon Valdez off Alaska in 1989, and repeated appeals to the US Coastguard to relax the new rules or delay their introduction have failed.

A decline in domestic oil production has made the US more dependent on imported oil, with about half of its total needs coming from the Middle East and other overseas oilfields.

Owners of tankers entering US waters after December 28 will be required to show they can provide unlimited compensation in the event of an oil spill. Although this deadline is still two months away, vessels are often chartered well in advance.

In return for proof that they could meet a claim, shipowners will be issued with a "certificate of financial responsibility" by the Coastguard.

The conventional method by which shipowners arrange insurance cover, through protection and indemnity (P&I) clubs of owners who share risks, cannot be used because the P&I clubs are unwilling to take on unlimited liability.

"The Coastguard has created a claim structure which is unsustainable with existing insurance systems," said Mr Miles Kulukundis, chairman of Intertanko, representing many of the world's tanker owners.

So far only 41 tankers, all American and including Mobil Oil Corporation's 24-ship fleet, have obtainad certificates to allow them to sail into US waters, Intertanko said.

But at least three other shipowners, including Knock Tankers, an Oslo-based company with 13 vessels, have announced their intention to withdraw from the US trade.

The total world oil tanker fleet is more than 7,000 vessels, of which at least 1,000 serve US ports. The loss of US business would be a aavere setback for tanker owners.

The International Chamber of Shipping, a London-based shipowners' organisation representing more than half of the world'a merchant tonnage, said it was a matter of "deep concern" that the Coastguard had "not attempted to solve any of the serious problems" posed by its rules. The shipowners believe the P&I clubs should remain the main method of covering risk, but said tbey "unreservedly" supported tbem in their refusal to take on the risk of unlimited liability.

Other options sucb as surety bonds, self-insurance and financial guarantees required the shipowner to provide large amounts of collateral and were only an option for the largest corporations, the chamber said.

The alternative for most smaller shipowners was insurance but there were no insurance schemes available which could provide the cover needed. "In the absence of insurance cover, oil shipments in US waters will largely cease as from December 28," Mr Chris Horrocks, secretary-general of the international chamber, warned.

The requirement for certificates of financial responsibility forms part of the Oil Pollution Act of 1990, which will also progressively require tankers to be doubled-hulled to reduce the risk of pollution.

A US court recently awarded $5bn in punitive damages against Exxon following pollution of the Alaskan shoreline by the Exxon Valdez in 1989.

China fails to hold back monetary growth

By Tony Walker in Beijing

China's central bank yesterday took a leap into greater public disclosure when it pnblished up-to-date money supply figures for the first time since the Communist revolntion.

These revealed tbat the broader M2 measure of monetary growth accelerated in the third quarter in spite of the government's proclaimed tight credit policy aimed at calming an overheating economy and curbing inflation.

The People's Bank of China, through its in-house journal, the Financial News, reported that M2 grew by 37.1 per cent year-on-year in the September quarter, compared with 29.7 per cent in the second quarter. The target for 1994 is 24 per cent.

Mr Dai Xianglong, a depnty governor of the People's Bank, expressed concern about the M2 ontcome. "Tbis sbows tbat money supply is accelerating...and inflationary pressure is growing," he said.

He attribnted the excessive monetary growth to high capital spending by state enterprises, lack of bndgetary restraint, a rise in government emptoyees' salaries and increased payments to farmers. Mr Dai made a plea for restraint, saying that for monetary policy to work in the fight against inflation, government departments wonld have to curb expenditure.

One of the bank's motives in breaking with tradition by publishing timely money supply statistics seems to be to strengthen its argument for restraint. The bank is seeking to transform itself from a passive state institution into a leader in the fight against inflation.

Consumer prices nationwide were up 27.4 per cent in September compared with a year earlier. This was in spite of measures adopted earlier this year to stiffen price controls on basic commodities and services. The bank also pnblished figures showing narrow M0 money supply growth of 26.4 per cent in the third quarter, and M1 growth of 32.5 per cent.

It reported foreign exchange reserves of $39.8bn at the end of September, an 87 per cent increase on 1993. This was partly attributed to an improved trading performance, with exports exceeding imports by $1.38bn in the first nine months.

Mr Dai said the decision to release the data was part of the bank's attempts to bring its operations into line with similar international institutions. "This will help the opening np and reform of our financial system and make for better international exchange [of information]," he told the Financial News. He indicated that publication of money snpply figures would become standard practice.

Worst of bad-debt crisis over, says Bank of Japan governor

By Gerard Baker in Tokyo

Mr Yasushi Mieno, governor of the Bank of Japan, said yesterday that the protracted bad-debt crisis experienced by the country's banks appeared to be past its worst.

In a speech at the bank's Institute for Monetary and Economic Studies, Mr Mieno, who retires next month after five years as head of the central bank, said banks had made significant progress towards lifting the burden of bad debts produced by the collapse of property and other asset prices in the past few years.

Mr Mieno has caused surprise in financial circles in the past six months with his insistently upbeat assessments of Japan's economic prospects. Yesterday that optimism was focused on the overall health of the banking system, though he criticised banks for their slowness to face up to their bad debts.

"We may no longer have to be concerned about how much further the problem of non-performing assets is going to develop since the outline of the problem has now become fairly clear," Mr Mieno said. The bad debt burden has made Japanese banks wary of new lending, to particular, in the international market.

Mr Mieno was careful to avoid claiming that the total number of bad loans had peaked, stating only that the "pace of increase in non-performing loans" seemed to have slowed.

Yasushi Mieno: npbeat assessments of Japan's prospects

Figures published in the banks' annual reports in May supported the proposition that the total had peaked. Disclosed bad loans at the nation's 21 largest commercial banks fell by 1.3 per cent betwean September 1993 and March this year to Y13,600bn ($140.14bn).

But these figures include only loans to bankrupt companies and loans in arrears by six months or more. In Japan, unlike most other countries, banks are not obliged to give figures for loans where interest rates have been cut to keep a borrower afloat, nor those on which no interest has been paid for a period up to six months.

Most analysts estimate that adding in these loans would almost double the bad loan book, and would suggest that tbe total is still rising.

Mr Mieno was critical of the pace at which the bad debt problem has been addressed. He described the painfully slow progress by the banks in acknowledging, and then writing off, their non-performing loans as a typically "Japanese approach".

He said this had resulted in a delay in the improvement of balance sheets. He added that the delay may have had a negative effect on the macroeconomy.

The governor said it was necessary to strengthen Japan's financial system by promoting faster deregulation, and by encouraging banks to be more innovative and to discard their natural tendency not to step out of line with each other. They should also work to improve their risk management systems.

Pin-up will help shape Japan's politics, Page 8

THE LEX COLUMN

Kicking tobacco

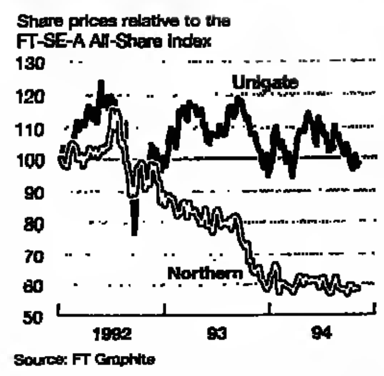
Nine years after RJR bought Nabisco and five years after the combined entity was acquired by KKR in a massive leveraged buy-out, RJR Nabisco appears to be returning to its roots. Yesterday's announcement of a partial float for Nabisco could mark the start of a split into its original food and tohacco divisions. Meanwhile, RJR's decision not to take part in KKR's $2bn bid for Borden, a food group, looks like an assertion of independence from the buy-out group.

RJR Nabisco's rating has been tainted by its perception as a tobacco stock – something re-emphasised by yesterday's go-ahead by a judge for a class action by smokers in Florida. By giving the food side greater visibility, the partial float should benefit both Nabisco and its parent. If it can be ring-fenced from tobacco liabilities, Nabisco should find it easier to raise debt and ultimately equity for acquisitions. RJR will be hoping its own rating will be boosted by Nabisco's higher valuation, since it will still own 80 per cent of the company.

By backing out of the Borden hid, RJR has caused KKR something of a headache. Under the original deal, a complicated share swap between Borden and RJR would have have reduced KKR's costs and enabled the transfer of assets to RJR. There was also the possihility that Nabisco could have helped KKR manage Borden, which has had a poor record in recent years. One might have thought that KKR, which owns 35 per cent of RJR Nabisco, would have been in a position to tell the group what to do. But, with that stake halving as part of the Borden bid, that is presumahly no longer the case.

FT-SE Index: 3097.4 (+13.6)

Dairy groups



Source: FT Graphite

Milk Marque

The move today to a new marketing regime for UK milk parallels the experience of eastern European countries forced to switch overnight from central planning to a free market. The transformation will be traumatic, and the consequences will be unfathomable.

In the short term, the impact of the change on big dairy companies such as Unigate and Northern Foods looks wholly negative. Milk prices will rise and the food processors will find it impossible to pass the full increase in raw materials costs to customers. This is especially true for products such as cream, yoghurt, cheese, butter and milk powder, where the ready availability of imports will limit manufacturers' scope to pass on cost increases of up to 20 per cent. Fresh milk is not threatened to the same degree hy onports, and the dairies have already pusbed through higher prices. Despite Tesco's decision yesterday to mark up tbe price of milk hy 2p a pint, the brunt of the price rises will fall on consumers who have their milk delivered at home. Higher prices for the traditional pinta will accelerate tbe sharp decline in this high-margin segment of the market.

Long term, the Milk Marque regime may benefit the larger dairy groups. They will get greater flexibility in the sourcing of milk. They will seize the opportunity to rationalise their manufacturing operations, for example, by cutting excess capacity. But the transition to a new order is likely to be a turbulent one, and during that transition shares in Unigate or Northern Foods will tempt only the brave.

Capital adequacy

Creating a level regulatory playing field for banks and investment groups throughout the European Union is a laudable ambition. But the capital adequacy directive, due to take effect in just 14 months, is flawed. One prohlem is that the directive fails to achieve its main objective of ensuring fair competition between non-hank investment groups and banks' securities subsidiaries. The hanks' securities businesses will still be subsidised by cheap capital from deposit bases – less costly because, in the last resort, they are guaranteed by governments.

Worse, the new regulations distort the market. The capital requirements for securities will, on occasions, be 32 times less than for loans with similar risk, so banks will be encouraged to develop securitised lending over traditional loans. This was gradually happening anyway, but it remains unsatisfactory that a significant acceleration should be the unintended result of regulation rather than market forces.

The directive's eventual impact will depend on the authorities' interpretation and implemention. The UK looks set to reinforce its record of adopting a legalistic, hair-shirt approach to European legislation through "super-compliance" – insisting on capital adequacy and documentation avan greater than that required by the directive. This would increase costs and disadvantage London as a financial centre. Within the directive, there is scope for discretion. The industry'a regulatory bodies should use it.

Preferred securities

For Grand Metropolitan, the benefits of its $500m issue of preferred securities are clear. The cleverly-structured issue is in line with the group's strategy of reducing its dependence on short-term debt. The cost of financing the new instrument is likely to be 40-50 basis points higher than that of 30-year debt – a price well worth paying for an instrument which approximates to equity, and is viewed as such by the rating agencies. Moreover, the securities enhance accomting measurements of performance such as interest cover and gearing while being tax-efficient. Despite the instrument's attractions, preferred securities are aimed primarily at US retail investors. The appeal of the financing technique to other UK blue chip companies may thus be limited to those like GrandMet whose products are already familiar to the US consumer.

Heron

Fees for refinancing near-bankrupt Heron International have reached an astonishing £60m. Bondholders, who saw most of their investment wiped out in last year's failed restructuring and will face a further diminntion if the latest plan is approved, must feel bitter. A particularly gripe – as with other refinancings such as Queens Moat Houses – is that some fees have gone to Heron's bank creditors. It seems inappropriate for one class of creditors to receive fees from a struggling company, so reducing what is available for the rest.

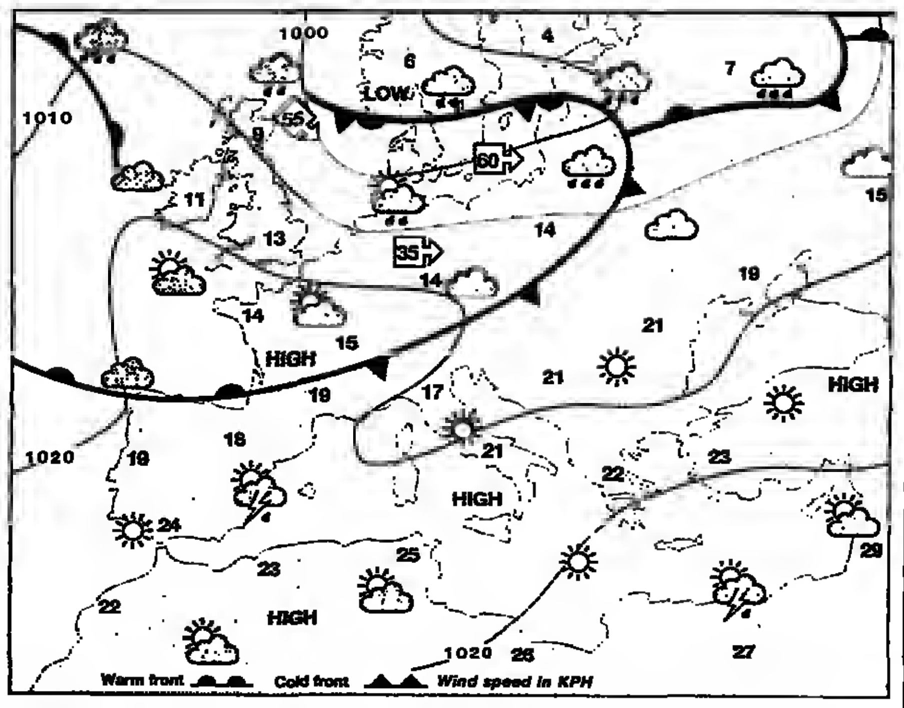
FT WEATHER GUIDE

Europe today

Northern Europe will be unsettled with steady rain from southern Scandinavia to western Russia. The snow zone will move north over Scandinavia as moist, warm air is drawn in from the south. Rain or drizzle is expected from the Baltics to the Alps and central France but conditions will improve during the day. The British Isles and the Benelux will be dry but cooler. Odd showers are likely over the Netherlands, northern Germany and Denmark. The Mediterranean will be warm, dry and mainly sunny. Afternoon temperatures around 21C will be found as far north as Romania.

Five-day forecast

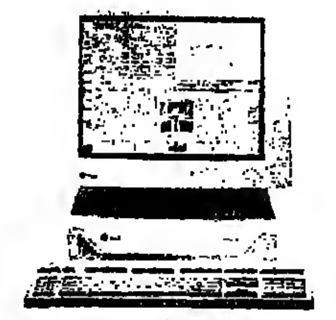
A complex series of low pressure areas over Scandinavia will move east, ceusing rain over north-east Europe. High pressure over western France will make central Europe warm and settled. A deepening low west of the British Isles will draw cooler air and unsettled conditions into Spain on Friday and other areas of western Europe during the weekend.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	15	Caracas	fair	31	Faro	sun	22	Madrid	fair	19	Rangoon	fair	34
	Celsius		Belfast	shower	10	Cardiff	fair	11	Frankfurt	fair	14	Majorca	cloudy	22	Reykjavik	cloudy	-1
Abu Dhabi	fair	33	Belgrade	sun	20	Casablanca	sun	21	Geneva	cloudy	14	Malta	fair	23	Rio	shower	25
Accra	thund	31	Berlin	cloudy	13	Chicago	sun	8	Gibraltar	cloudy	21	Manchester	shower	11	Rome	fair	22
Algiers	cloudy	23	Bermuda	cloudy	26	Cologne	fair	13	Glasgow	shower	11	Manila	cloudy	32	S. Frsco	rain	17
Amsterdam	shower	12	Bogota	shower	22	Dakar	sun	29	Hamburg	thund	11	Melbourne	rain	12	Seoul	sun	17
Athens	sun	23	Bombay	cloudy	34	Dallas	sun	22	Helsinki	rain	3	Mexico City	sun	23	Singapore	shower	32
Atlanta	fair	15	Brussels	fair	13	Delhi	sun	30	Hong Kong	fair	27	Miami	thund	29	Stockholm	rain	8
B. Aires	fair	22	Budapest	fair	17	Dubai	fair	32	Honolulu	fair	31	Milan	fair	17	Strasbourg	cloudy	15
B.ham	fair	12	C.hagen	shower	11	Dublin	fair	11	Istanbul	sun	21	Montreal	rain	6	Sydney	shower	22
Bangkok	cloudy	33	Cairo	fair	27	Dubrovnik	sun	22	Jakarta	cloudy	33	Moscow	rain	6	Tangier	fair	22
Barcelona	fair	19	Cape Town	sun	27	Edinburgh	fair	11	Jersey	fair	13	Munich	drzzl	15	Tel Aviv	fair	31
									Karachi	fair	35	Nairobi	fair	28	Tokyo	cloudy	19
									Kuwait	fair	35	Naples	sun	21	Toronto	rain	7
									L. Angeles	sun	23	Nassau	thund	29	Vancouver	fair	9
									Las Palmas	fair	25	New York	rain	17	Venice	fair	17
									Lima	fair	22	Nice	fair	18	Vienna	fair	17
									Lisbon	fair	20	Nicosia	fair	28	Warsaw	shower	15
									London	fair	13	Oslo	shower	5	Washington	fair	23
									Lux.bourg	fair	11	Paris	fair	13	Wellington	cloudy	14
									Lyon	cloudy	16	Perth	cloudy	27	Winnipeg	rain	7
									Madeira	cloudy	23	Prague	cloudy	14	Zurich	fair	14



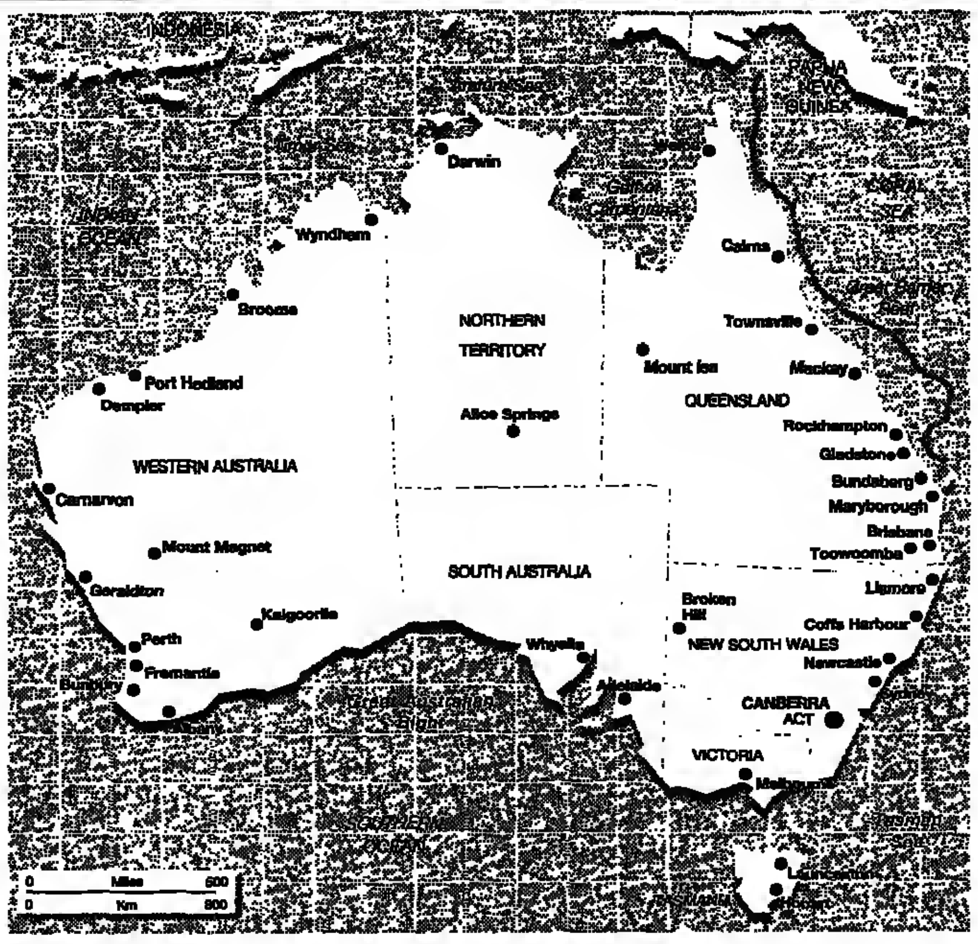
هكذا من الأصل

FINANCIAL TIMES SURVEY

AUSTRALIA

Tuesday November 1 1994

Mustering cattle in central Queensland: after a decade of fundamental change, the challenge for the Government is to keep the people moving in the right direction Picture: Ross Bray



Bumpy ride to a new identity

Changes in Australia's ethnic make-up, its international orientation and *economic culture are a test of its political maturity*, writes Nikki Tait

As political rallies go, the recent gathering in Cabramatta, one of Sydney's western suburbs, was a low-key affair. A few hundred people, perhaps two-thirds Vietnamese, gathered in the local park to hear speeches and sing songs. A solitary policeman tapped his foot in time to the music.

But the fact that it occurred at all was extraordinary. A few days earlier, the local state MP and an outspoken opponent of Asian gangs who had infiltrated the area, had been shot dead. While the reasons for his killing have yet to be revealed, the local media quickly declared this to be Australia's first political assassination.

The racist tone of subsequent public reaction on radio chat-shows worried community leaders, and they decided a backlash should be forestalled. The rally, it was hoped, would demonstrate the area's real feelings.

It would be easy to get Cabramatta out of proportion. In truth, there are not many streets in Australia where *European script is barely visible*. The suburb's electorate is amongst the nation's most diverse, almost one-fifth Vietnamese, but with other large immigrant communities, drawn from both Asia and Europe. Australia, meanwhile, remains more remarkable for the accessibility and informality which *surrounds its public figures*.

All that said, Cabramatta's recent experience, and the preconceptions and responses which it unleashed, do highlight the key question which confronts the nation. For a decade, Australia has been *engaged in a process of fundamental change*, encompassing everything from the country's trade focus and its wage-bargaining mechanisms, to its cultural priorities and racial mix. Key objectives have been (and remain) a closer integration with Asian neigbours and a more competitive business *environment* at *home*.

But how fast this restructuring can, or should be, pushed is an extremely difficult issue – and one which gets no easier as the changes dig more pervasively into everyday lives, and trade-offs between political consensus and what is optimal from an economic standpoint become inevitable.

Mr Paul Keating, prime minister, made reference to the issue during his keynote speech to delegates at the recent Australian Labor Party conference. "We are in *office*. We are doing what wa do best – which is making the changes, preparing Australia for the future," he said.

"And we are bringing the people with us," he continued in a slight departure from the prepared text. "That's the important thing, they're coming with us."

From a political perspective, the prime minister's assessment seems correct. Since winning the supposedly "unwinnable" election in early 1993, when recession was biting hard and dissatisfaction rife, the Keating administration has established a clear lead over its opponents in the opinion polls.

A Newspoll survey published in late-October, for example, suggested that if an election were held today, 46 per cent would vote for the Australian Labor Party versus 41 per cent for the Liberal/National coalition. On polling day in 1993, the *same survey showed* the two votes neck-and-neck.

Tha government's edge does owa something to the leadership turmoil within the Liberal Party, the larger partner in the coalition, and to the opposition's policy confusion in the wake of its unexpected 1993 election loss. Moreover, the ALP's ascendancy in federal politics is not mirrored at state or territory level, where only Queensland remains in outright Labor control. This situation, in turn, makes for tension and confusion in key areas, ranging from Aboriginal rights to labour relations.

But it is also arguable that one major factor in Labor's successful retention of popular support at federal level has been its astute but cautious timing of the reform process – a sharp contrast to New Zealand, whose faster restructuring has provoked a political backlash. In Australia, where the electorate is generally conservative, the Keating government has shown a marked willingness to adjust the tempo in *sensitive areas, ensuring that a* majority is kept on board.

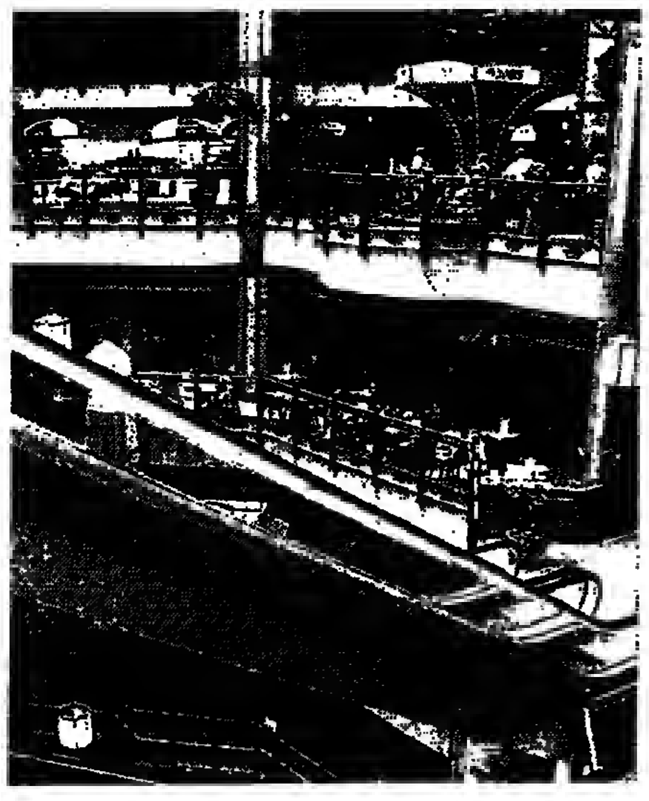
But while this careful pace of change has so far bought political stability, it is possible that problems are being created on the economic front.

On a short-term view, there seems little cause for concern. Growth in GDP is forecast to run out at around 4.5 per cent in 1994/5, and then at perhaps four per cent in the following year, figures which compare favourably with any other "western" economy.

The inflation outlook has begun to look a little less favourable *in recent months*, in part because of the potential long-term implications of the current drought which has crippled key agricultural areas on the east coast.

Nevertheless, the situation is not all that alarming.The consumer price index is forecast to rise by just 2.1 per cent this year, and perhaps 3.5-4 per cent in the following 12 months. Moreover, a larger-than-anticipated one percentage point jump in interest rates in late-October suggests that the Reserve Bank of Australia, the central monetary authority, is firmly determined to keep price rises under control.

□ Continued on Page 4



Brisbane's Myer shopping centre: rising from recession

■ ECONOMY

It's getting stronger

On a short-term view, the Australian economy looks as palatable as tha country's awesome heaches. On medium-term view, conditions are less certain, writes NIKKI TAIT.

About a year ago, the country started to pull out of recession with unexpected strength. Annual growth in gross domestic product hit the five per cent mark early in 1994, before easing back to 4.3 per cent in the sacond quartar. Inflation remained (and remains) low: the annual increase in the consumer price index ran at 1.7 per cent in the same period.

Moreover, while consumer demand was the driving force in the recovery's early stages, this is finally generating a pickup in husiness confidence. As a result, the government's crucial target for business investment – a 14.5 per cent rise in 1994/5 – seems more attainable. There was a "high probability" of this increase being reached or even surpassed, remarked Ted Evans, one of the treasury'e senior officials, in September.

So, with some justification, Mr Ralph Willis, Australia's unassuming treasurer, has been able to declare that his country has never looked better placed to achieve a prolonged period of economic growth.

But even Mr Willis would not pretend that the skies are cloudless.

The most immediate concern is the severe drought which has hit key agricultural areas on the east coast. The effects of this are still felt widely, and it is hard to assess the final impact.

But, already, production of wheat, a significant export category for Australia, is forecast to almost halve from around 17m tonnes last year to 10.4m tonnes in 1994/5. Feed costs for liveetock producere are increasing, and prices of both animal and grain-based products could rise. Rural hardship cases are fairly widespread, prompting the government to announce a A$164m package of emergency ald measures, spread over two years. At present, official estimates suggest that around half a percentage point may be knocked off the nation's growth rate as a result of the drought.

Secondly, in spite of the strong growth rate, Australia's unemployment eituation remains grim. A year into the recovery, the johless rate stands at 9.5 per cent, and the emphasis which the corporate sector is still putting on productivity improvements suggests that any rapid decline is unlikely. Some forecasts have indicated that a national growth rate of around 3.5 per cent for the rest of the decade would still leave the johless rate at seven per cent hy tha year 2000. A growth rate of 4.5-5 per cent might get unemployment down to five per cent.

Such predictions encouraged the federal government to launch a A$6.5hn "johs programme" earlier this year. Its initiatives were various, but included the offer of either subsidised employment, mainly in tha private sector, or work experience and training to all long-term unemployed people of 18-plus.

The package was given the best possihle gloss, and much of tha cost is actually spread over a four-year period. Nevertheless, while it was quickly judged to be politically-astute, the business and financial community was less impressed. In spite of government reassurances that it was sticking to its deficit reduction etrategy – which aims to cut the deficit to around one per cent of gross domestic product by 1996/7 – it would have preferred a faster rate of rednction, and more margin for error.

Thesa calls were revoiced by Mr Bernie Fraser, the Reserve Bank governor, in September and Mr Willis has suggested that they will be borne in mind in shaping the next hudget.

Thirdly, there is the matter of Australia'e external account. Australia's current account deficit has stabilised at around four per cent of GDP in recent years, but the concern is that the balance of trade could go ont of kilter as business investment gets under way and imports of plant and machinery surge.

Many analysts do predict some worsening of the current account: Bankers Trust, for example, recently predicted A$22bn deficit in 1995/6, or 4.5 per cent of GDP, although it adds that such a level "will not pose a serious problem for the economy". Since then, the August trade figures have been released – and the much larger-than-expected current account deficit fuelled the pessimists' worst fears.

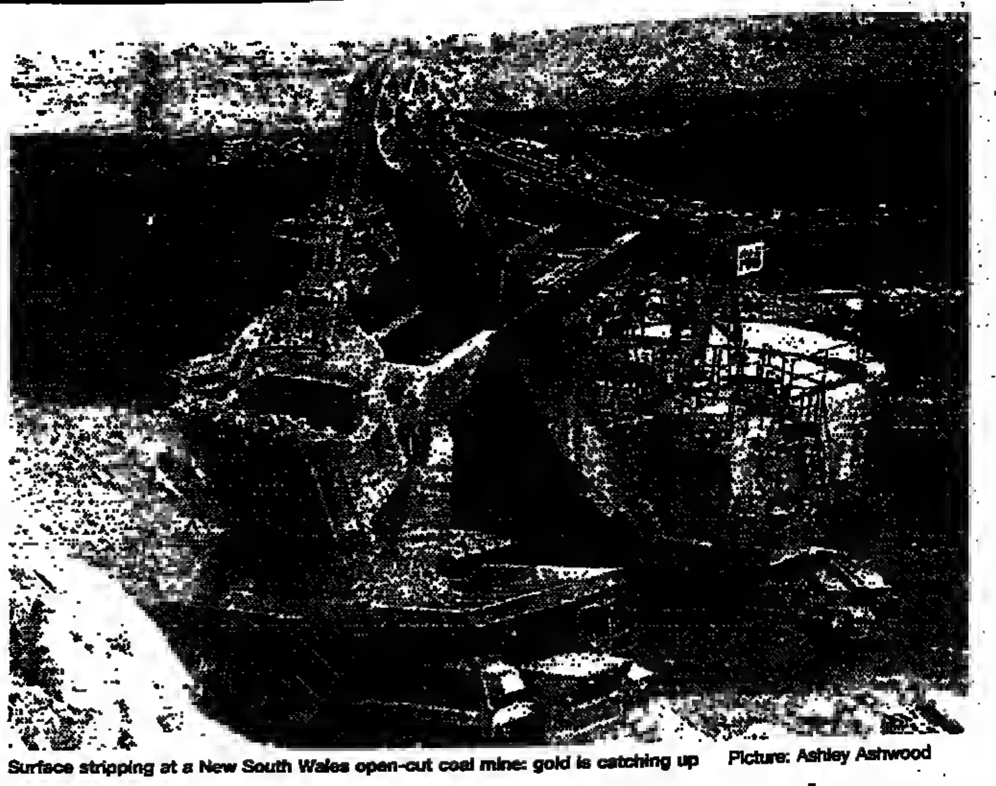
The authorities' response, meanwhile, centres on the huge effort to promote Asian trade, and encourage Australian exports to the region. This, it is hoped, could offset the rise in imports.

But most pundits also acknowledge that that there is an element of guesswork in all of this. No one yet knows how strongly-sustained Australia's export performance will he, nor the extent of any import surge. If the current account does "hlow out", it is widely assumed that interest rate or tax increases might have to follow – the political hope presumably being for the latter – and that this could occur after the next federal election, in 1996.

Finally, there is the question of internal "structural" reforms. Ministers frequently point to the progress made hy Australia over the past decade – in terms of the steady lowering of tariff barriers, the move to replace centralised wage agreements hy enterprise-based bargains, the reduction in the number of industrial disputes, the introduction of competition into key sectors such as telecommunications, and so on. There is, moreover, an ongoing effort to push the process further, especially at state level.

But the outside world, including the all-important Asia region, is sometimes less appreciative. It still tends to see sporadic, but high-profile, national strikes (in the coal and shipping industries, for example); Australia's low savings ratio, contrasting sharply with that of its northern neighhours; and the nation's egalitarian culture which distrusts commercial success.

One recent survey of international competitiveness, hy the International Institute of Management Development, pnt Australia in 15th place, roughly level pegging with the UK and Canada. Singapore, by contrast, came in second to the US, Hong Kong was fourth, and even Malaysia and Taiwan managed 17th and 18th places, respectively.



Surface stripping at a New South Wales open-cut coal mine: gold is catching up Picture: Ashley Ashwood

Mines survive new land rules, says **Bruce Jacques**

The lining is golden

For the Australian mining industry the moch feared "era of Mabo" has begun without interrupting the long-standing trend of steadily increased production and export reveoue.

Mabo is the popolar tag given to a watershed High Court decision given legislative effect late in 1993 through the Native Title Bill. The Bill, which hroadly gives Australia's Aboriginal people title to large tracts of the country, had drawn dire predictions from the mining lohby, mainly reflecting concerns about exploration and development access.

However, in 1993-4, the industry has again overcome weak world demand, historically low prices for many key commodities and unfavourable exchange rate movements marginally to lift export revenne to almost A$30bn, accounting for better than 35 per cent of the country'e total export receipts.

Figures from ABARE, the Federal Government's commodities research arm, show that Australia's mineral exports have risen in all hut one year of the past decade. The latest total represeuts more than douhle the country'e then record A$14.9hn mineral exports in 1986.

While this performance justifies the industry's world leader status, demoostrating its inherent strength and diversity, closer inspection reveals eome weak spots which threaten to rednce momentum later this decade.

The industry acknowledges that the effects on production and reveones may not be felt for some years, given the lead times involved in major projects. Bnt mining executives see Mabo as part of a long term pattern of adversity which incindes the rise of environmental issues, compensation claims from landowners, unfavourable tax treatment and vexatious litigation.

Mr Geoffrey Ewing, of the Australian Mining Industry Council (AMIC), says the mining industry has long been a leader in negotiating with Aboriginal communities. "Our argument is not with the concept of native title, but with the way the Bill produces an unwieldy system for exploration and development access," Mr Ewing said.

"Any real influence on production and exports is obviously some years off. In fact, our annnal financial survey, due ont later this year, will probably show a lift in exploration spending in the latest year. But our information is that the spending is mainly on what conid be described as 'brownfields', sites which are free of any native title claims."

The Australian mineral industry's overall performance in the latest year was also distorted by near hoom conditions in one commodity – gold – where export value rose by more than 26 per cent to A$5.42hn, masking some serious declines in other commodities.

Gold's resurgence echoes its historical position as one of the main populators of fledgling antipodean colonies more than a century ego. The metal's more recent Australian history is scarcely less important to national fortunes.

From a position of decline in the 1970s, when many of the country's higgest mines faced closure and annual outpnt ran at less than three tonnes, Australian gold production has rallied close to 250 tonnes in the current year, ranking it third in the world after South Africa and the US.

And new projects already under way mean that prodnction will keep rising strongly, barring a collapse in the all-too-volatile gold price. Mr Robin Widdnp, gold analyst with J. B. Were & Son, the Australian stockbrokers, told the Financial Times World Gold Conference in June that Australia's annnal gold prodnction was likely to top 300 tonnes by the turn of the century.

Vigorous exploration and new mine development has transformed the gold industry from the 1980s picture of short life, shallow oxide open pits, to large long life mines in the 1990s," Mr Widdup said. "The 1990s Australian gold rush has seen geologists, armed with new geochemical and geophysical techniques, unearth a series of large new gold discoveries beneath sand cover.

"This breakthrough in technology has lifted exploration expenditure ... and the rate of success shows no sign of slowing. A group of 10 to 15 new mines should lift Australian production by 40 to 50 tonnes over the next five years."

If gold fulfils these expectations, it could replace coal as Australia's number one export earner around the turn of the century. Gold's export jump in the latest year compared with a corresponding 5 per cent fall to just under A$7.2bn for coal.

Several other major Australian minerals recorded solid export revenne gains in 1993-94, inclnding aluminium, up 5 per cent to A$1.82bn and iron, steel and ferroalloys, np 22 per cent to A$1.4bn. But zinc exports fell 22 per cent to A$795m.

Sticking to a familiar pattern, Australia's higher overall export receipts were achieved despite markedly lower average commodity prices received. ABARE's mineral export price index slumped from 99.7 to 91.9 over the year while the index of mine prodnction rose from 105.2 to 107.

Australia is, quite simply, continuing to sell more minerals for less money. The financial performance of its leading commodities companies remains volatile. It's a habit that will prove hard to kick while the industry remains a price taker, hostage to a small local market and heavily exposed to the vagaries of international trade.

Nikki Tait explains why the opposition parties keep changing their leaders

Era of the personality cult

Personalities, not policies, have dominated Australia's federal politics of late.

Perhaps the strongest spotlight has fallen on leadership machinations within the Liberal Party, the dominant opposition party. Back in early 1993, when the recession was biting badly, Mr John Hewson, its former leader, lost a seemingly unlosable election to Paul Keating's incumbent Labor Party. For over a year, Hewson then limped on as the wave of destabilising rumours and speculation swelled around him. He finally threw in the towel last May, calling for a party-room ballot.

The showdown was surprisingly neat. Two aspiring candidates – Mr Peter Costello, a Victorian lawyer in his late-30s and relative newcomer to federal politics, and Mr Alexander Downer, Hewson's treasury spokesman – collaborated to present a joint "youth ticket". It won comfortably with Mr Downer, whose blue-blooded Adelaide family has been involved in politics for three generations, taking the senior job. Mr Costello became shadow treasurer.

Prime minister Paul Keating: ahead by a solid margin

But matters soon became messy again. Mr Downer, having enjoyed an initial "honeymoon" in the opinion polls, made a series of public gaffes, the most serious of which concerned opposition policy towards Aboriginal native title rights. The recent decision by Mr Andrew Peacock, the veteran Liberal politician, to quit the federal scene has not been helpful either: while Mr Peacock has reaffirmed his support, speculation over his successor in the blue-ribbon seat of Kooyong has provided an opportunity for gossip-mongering to restart.

In the meantime, the opinion polls have switchbacked, and now give Labor a clear edge over the opposition. Mr Keating, who has never ranked highly in the personal popularity stakes, leads Mr Downer as preferred prime minister by a solid margin.

But while the Labor side of the equation has been better-organised, it has not been without its own persooality upheavals. In early 1994 – and for a wide variety of reasons – the Keating government lost four ministers, including John Dawkins, the former treasurer, and Graham Richardson, who held the health portfolio and was one of the party's key backroom players.

Since then, the cabinet has stabilised, but there has been a not-so-subtle lining-up of potential Keating successors. No one believes that the prime minister is set to depart in the short-tarm. But there is a school of thought which suggests that if he wins the next election, due in 1996, he could then step down midway through the next government's term of office.

So Mr Gareth Evans, Australia's foreign minister, has arranged to move from the Senate (parliament's Upper House) to the House of Representatives. This would allow his hat to go into the ring. Ms Carmen Lawrence, the former Western Auatralian premier who took over Mr Dawkins' seat and Mr Richardson's portfolio, is another possible contender. Mr Kim Beazley, finance minister, and Mr Simon Crean, employment, have also been touted as candidates.

All these comings and goings have tended to mask the legislative vacuum. The Keating governmeot pusbed through key measures, such as the Native Title legislation and a contentious industrial Relatioos act, during its first 12 months of office. This was often uphill work: the governmeot lacks a majority in the Senate, and the Democrats and a couple of Green Party senators who hold the balance of power there caused difficulties.

More receotly, however, the Keating regime has cooled the tempo. The most conspicuous feature of its last finance package, for example, was the absence of any significant new measures. Opponents spoiling for a fight were left flailing in thin air. The overall result is that the profile of the minor parties has fallen significantly.

But perhaps tbe central question now hanging over Australian fedaral politics is whether the opposition can find a package of policies which differentiate it sufficiently from a "middle-of-the-road" Labor government, and yet offers greater appeal to the electorate.

This is not an easy task. During the past 10 years, Labor has followed a moderate reform path.

This has involved putting a programme of tariff reductions in place, oudging the labour movement towards enterprise-based deals, deregulating key industrial and financial sectors, pushing the Asia-Pacific links, and so on. With a fair amount of skill, and helped by a weak opposition, the government has been moving at its own pace. It has thus retained a broad measure of consensus support.

> **The key issue is whether the opposition can offer policies more attractive than those of a centrist Labor government**

The fate of Mr Hewson, whose "Fightback" package would have pushed the reforms further and faster, suggests that the Australian electorate will not be wooed by a more radical economic ageoda. So the Downer team is taking a different tack.

Its first effort has been a hroad "strategy" document called "The Things that Matter". This sets out the main policy areas which the party plans to develop in more detail during the run-up to the next election. "Four key isaues defina what we believe should be the major priorities of Australia: the creation of jobs, the strengthening of families, the empowerment of communities and the restoration of national cohesiveneee and independence," it reads.

The jury is still out on the wisdom of this approach. Many commentators have found little to quarrel with in the document, which is also skilfully packaged. But the big question is the extent to which government niggling will mean that the rather bland genaralisations have to be turned into detailed, costed pollcies.

That is when the Labor guns will really fire – if only to divert from a certain lack of new initiatives on their own side. The next 18 months could be interesting.

Shaking up the big state monopolies remains an urgent priority, writes **Emilia Tagaza**

A long haul to greater efficiency

ONE of the greatest pieces of infrastructure redevelopment in Australia is arguably the conversion of rail freight lines connecting the mainland capital cities into a single, standard-gauge network.

By the middle of 1995, and for the first time in the country's history, goods heing transported from one state to another will no longer be delayed by differences in rail track widths.

Until 1982, a journey from Brisbane on the east coast, to Perth, on the west, involved five changes of gauge, shifting from narrow to standard to broad and back to narrow. To move goods across, bogie exchanges were installed to change bogies underneath the waggon and enable the transfer of containers.

Over recent years, standard tracks have gradnally been installed across borders so that today the Melbourne to Adelaide corridor is the only missing link in a standardised national system. This is now being rectified, with the construction expected to be finished hy May 1995.

The system's inefficiency has long bedevilled Australian business, which has borne the cost and consequence on its competitiveness. The Burean of Industry Economics, which has examined the performance of Australia's infrastructure against world competitors, says that Australian rail freight charges are at least twice as high as its cheapest competitor. Its productivity was only 27 per cent of the world's hest performer in 1991-92.

The state of the nation's railway system reflects bow practices and institutions established hy individual colonies in the 19th century have continned beyond the federation, thus presenting a major obstacle to a single, national and competitive economy. It is no wonder, then, that the ruling Labor government has made state enterprises the target of the latest phases of its macro-economic reform.

During the last 10 years, the federal government's reform programme has seen the deregulation of the financial and lahour markets. Today, reform is aimed at state corporations and authorities, which have almost total control over infrastructure facilities.

Earlier this year, the Commonwealth government adopted an internally-generated report on national competition policy, the so-called Hilmer Report, which recommends that state government enterprises be opened to free competition. Also being freed-up are statutory marketing bodies and unincorporated enterprises, such as the professions, particnlarly tha legal sector. These three areas have mutil now been immune to the Trade Practices Act.

> It is estimated that reforms in state utilities such as power and transport would increase national output by \$5.5bn a year

Infrastructure costs are over 10 per cent of the inpnt of all of Australia's industries. The Burean of Industry Economics study has found that in terms of price, reliability and efficiency, Australian infrastructure was below world best practice, in some cases substantially so.

The government estimates that reforms in state-run utilities wonld increase national outpnt by A\$8bn (US\$5.5bn) a year.

Although the state governments have generally agreed to implement the Hilmer Report, it is nevertheless an arduous task for the Commonwealth government. It is dealing with eight states and territories, all fiefdoma with different politics, different views of competition, and whare business enterprises have different structures and are covered hy different laws.

The first hurdle has already appeared. This is the issue of compensation for tha states who stand to lose "monopoly rents" provided by the enterprises. When these are privatised, the iocome will flow directly to the Commonwealth government as company tax.

At a meeting in Angust between the Commonwealth and state governments, the heads of states and the prime minister, Mr Paul Keating, were deadlocked on the level of compensation. Understandably, the states wanted to get more, whereas the Commonwealth wanted give less.

A Commonwealth bureancrat said that some states justified their high demands by pointing at the steeply-rising revennes from state enterprises. He said it was unclear how much of the iocreases were dne to excessive charges or to the increasing proportion of profits paid to states as dividends.

The issne was resolved with the states asking the Industry Commisslon to examine the yearly increase in Commonwealth revenues as a result of the reform. A commonly-agreed formula will then be set for spllttlng revenues.

The states have widely differing approaches to lmplementing the programme. Victoria has been implementing an aggressive privatisation team since the Liberal government took power three years ago.

Mr Alan Stockdale, the Victorian treasurer, showed a hint of concern that privatisation already accomplished may be excluded from the revenue-sharing. "The Industry Commission ia workiog with a brief from the state treasurers and it will clearly consider all relevant issues, including retroactive compensation," he said.

Queensland, meanwhile, resists the sale of pnhlic assets, claiming that, unlike Victoria, it does not carry a deht hurden and therefore does not need to have a fire sale.

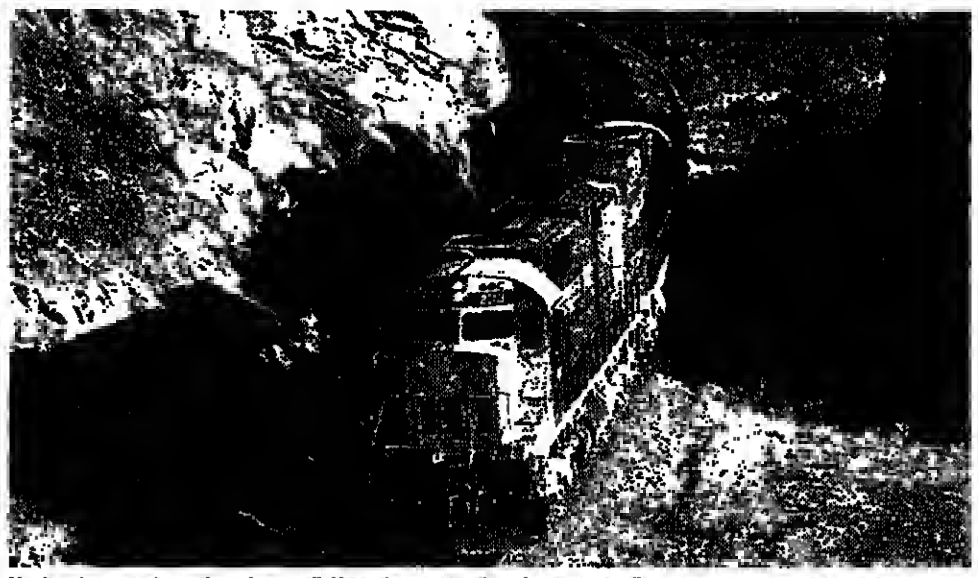
However, it has in recent years introduced a "corporate culture" in state enterprises, which has resulted in some efficiency gains. Western Australia alone has refused to surrender its otilities to a national competition law.

Bnt Mr Stockdale said the different approaches are a natural part of the co-operative process. "There are some differences but I believe everyooe is genuine about their commitment to national competition," be said.

Mr Stockdale, who ie recognised as the architect of the Victorian privatisatioo programme, considers the electricity industry as deserving the top priority for de-regulation. He said Victoria has slipped from the lowest cost electricity supplier ln the 1960s to the most expensive on the eastern seaboard.

He would like to turn that round to regain competitive advantage.

The first sale, that of a power generator, is dne next year. The government expects that before 1996 there will be free competition for generation and distribution in the state. Tbe core transmission grid will remain a state monopoly.



Hauling iron ore from the mine: until 1981, there were five changes of railway gauge across the continent

Nikki Tait studies the rise of the gambling dens

Wheel of misfortune

If the growth in visitors to Australia is a pretty sight, the development of the country'e casino industry – a key factor in the tourism eqnation – looks increasingly ugly.

It has been estimated that revenues from Australian casinos could double over the next five years, to around A\$1.25bn per annum, as new properties in Cairns, Brisbane, Melbourne and Sydney come on stream.

This will be the third phase of the industry's development. While casinos have been operating in Tasmania and the Northern Territory for several decades, these have always been small-scale operations, with aggregate annual revennes of less than A\$50m.

It was only when the Burswood casino got going outside Perth in 1985, followed by Jupiters on Queensland's Gold Coast, that the dollar signs started to clock up. Burswood has around 116 tables, and Jupiters almost as many. The other seven casinos sprinkled across Australia are only in double-digits, and Alice Springs' has fewer than 20 tables. Burswood alone accounted for 40 per cent of the industry's A\$657m revenues in 1992-3.

Today, there are two principal reasons why other big states, such as Victoria and New South Wales, are clambering on to the same bandwagon. The first is an acute desire to attract the Asian tourist dollar – or, at the very least, not to lose out to competing cities and states. According to projections from tha NSW Casino Control Authority, the number of international visitors to the Sydney property could top the million-mark by the year 2000, compared with 1.1-2.2m domestic visitors and 6-7.5m local visitors or day-trippers.

Secondly, state treasurers, eager to relieve their hudgetary pressures, see tax revenues from gaming dollars as a fairly efficient means of raising oew funds. Consultants say that the substitution effect – the drop in racing-related revenues, for example, as punters adjust their activities – is relatively modest.

But as the stakes are raised, the disquiet is growing. In Melbourne, where a temporary casino opened early this year, there have been reports of a proliferation of "gamhling problems". Pawnshops are said to be seeing a surge in business, and financial difficulties, notably within the city's large Asian community, are rife.

Meanwhila, the Sydney casino development has degenerated into a dirty hrawl between the business interests of Mr Kerry Packer, the Australian huslnessman who already has a significant stake in the Melbourne operation, and a consortium of Showboat, the US casino group, and Leighton Holdings, the Australian building company.

Leighton-Showboat appeared to win the right to build and operate the Sydney property earlier this year, outhidding the Packer consortium, which also included the US's Circus Circus, hy offering an upfront payment of A\$376m.

But since then, the Packer camp has unleased a harrage of accusations about Showboat's probity. Mr Bob Carr, the NSW Labor opposition leader, has levelled some of the more detailed allegations, which hang on fairly tenuous links between Showhoat and a Louisiana mob figure and seem to baffle US analysts. Confidential US police reports have been leaked; puhlic relations advisers and lawyers spurred into action.

The CCC, having assured everyone that extensive probity checks had been carried out before the Leighton-Showboat choice was made, has set up an inquiry to look into the allegations.

Sydney residents, meanwhile, tend to view the whole business with a mixture of contempt and cynicism. Two previous attempts to award a Sydney casino licence – in 1986 and 1987 – went awry when individuals or companies involved in the winning bids ran into controversy. It is now a question of whether the third time is any more lucky.

Pacific is now the main focus, writes **Emilia Tagaza**

Trade wind shifts

Mr Paul Keating, the Australian prime minister, is trying to transform the Asia-Pacific Economic Co-operation (Apec) forum from a talking shop to an effective grouping of countries that feel they have been the victims of strong-arm trade tactics.

His latest mission has involved weeks of intense negotiations aimed at getting Apec members to establish a free trade zone in the Asia-Pacific region by 2020.

There is a hint of impatience in Mr Keating's time-frame. He would like an agreement to be reached in principle during the Apec leaders' November meeting in Bogor, Indonesia.

If he succeeds,Apec would become more than an obscure acronym for another bloc of countries trading primarily in raw materials.

For Australia, a completely liberalised trading regime would further strengthen its presence in the region.

Companies hope free trade will also lead to a freer investment climate, thus opening opportunities for greater participation in Asia's booming equity markets.

Mr Bob Lim, director of economic analysis at the Business Council of Australia, the main employers' body, says uniform rules will provide a quick way to the regional securities market. "Australian companies will be more comfortable with greater transparency and disclosure rules, and with uniform eccounting and other operating standards," he says.

Mr Keating's free trade proposal has been received favourably among the Association of South-Eaet Asia Nations (ASEAN). An internal Apec committee had originally recommended e start-np date 10 years later than Mr Keating's proposed 2010.

President Soeharto of Indonesia, who will chair the November meeting, has pledged to place the issue at the top of the Bogor agenda. Indonesia, which traditionally had the tightest trading regime among ASEAN members, acknowledges that only by opening up its trade and investment doors can his country's economic growth be sustained.

Mr Goh Chok Tong, the Singapore prime minister, who is an avowed free trader, favours an even earlier date – 1998 – for introducing free trade in the region.

The Canberra-based ASEAN-Australia Business Council said the Apec move will push forward the ASEAN Free Trade Agreement (AFTA), which began last year.

"The time-table for Apec's phase-in roughly corresponds to that of AFTA, and the wider Apec membership will bring greater advantages to ASEAN countries," the council said.

The accelerated time-table has a built-in sweetener for the developing member countries. According to the Business Council, the preferred Apec schedule is for developed countries to dismantle all barriers by 2000, newly industrialised countries, such as Singapore,

Keating wants to rally a group of countries tired of being pushed around

by 2005, and developing countries, euch as Indonesia, by 2010.

The idea of Apec was first proposed in January 1989 by Mr Boh Hawke, the former Australian prime minister, and Mr Keating, then federal treasurer. The politicians, with tacit hacking from Australian business, have decided to link Australia's future economic prosperity and political stability with development in Asia.

The increasingly strong ties with the region have helped to cushion the decline in Australian trade with traditional partners in Europe.

The Asian members of Apec have absorbed an increasing proportion of Australian exports. Last year, more than 60 per cent of Australian exports went to these countries, compared with only 26 per cent in 1960. Exports to the European Union nations have declined to 13 per cent of total exports last year, from the 50 per cent level in the 1960s.

The agricultural subsidy war between the EU and the US, which could not be controlled under Gatt, also had serious implications for Apec. Australia and other agricultural exporters have been thwarted by the high protective wall built around the EU and the US.

Australia was vulnerable because the subsidies had encroached on its traditional outlets for wheat, one of its largest foreign exchange earners.

Using whatever influence it had, the Australian Labor government had sought to get together some of the trading underdogs for a more effective collective lobbying. It was instrumental in the formation of the Cairns Group, which consists of non-subsidising exporters, mostly from developing countries.

The Cairns Group secured a hearing during during the Uruguay Round of the Gatt talks, but by the close of the 1980s it was obvious that the US and Japan also had to be involved to make an impression on the importing countries.

The historic deal struck last December at the end of the seven-year Uruguay Round placated, albeit momentarily, the free traders. Australia stood to gain an additional A$5bn (US$3.7bn) in annual exports from the range of subsidy and tariff cuts agreed upon.

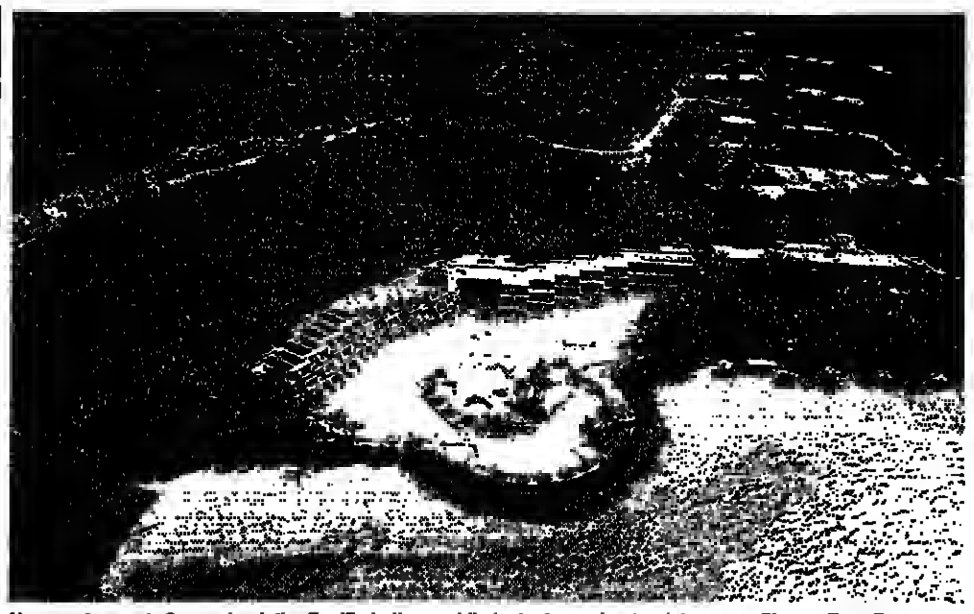
Mr Keating, at the time, claimed the agreement would result in an A$1bn increase in agricultural exports. Wheat sales were expected to rise by A$250m because the deal would slash the amount of subsidised wheat on world markets hy nearly 50m tonnes between 1995 and 2000.

However, the recent delays in the ratification of the Gatt accords has again underlined the need to strengthen Apec.

Mr Keating moved quickly and spent much of August and September cajoling important Apec players to give a political commitment to the promotion of the free trade.

On a visit to Tokyo last month, Mr Keating appealed to the ideological leanings of Mr Tomiichi Murayama, Japan's new socialist prime minister, in order to win a balf-nod.

Mr Murayama reacted by offering to back regional free trade. However, he pragmatically advocated extreme caution.



Hayman I. resort, Queensland: the Pacific is the world's fastest growing tourist area Picture: Ross Bray

Japanese tourists flock in, reports **Bruce Jacques**

Harvest in the hotels

The growing importance of tourism to the Austrattan economy was underlined in 1994 by recognltion of the diverse and complex sector as a leading stock exchange investment indicator.

The pooling of nine leading tonrism-related companies into a aingle indicator, the Tourism and Leisnre Index, represented a coming of age for a sector which has had more than its share of credibility problems with investors.

While the Index will help to make a fragmented industry more accessible and easier to analyse, it will reflect merely the tip of what is e very large and growing iceberg. By September this year, companies inclnded in the Index boasted a market capitalisation comfortably above A$3hn, or around one per cent of the benchmark All Ordinaries index.

Bnt the new index sits atop a sector which now makes up more than 5.5 per cent of Australia's gross domestic product, employs almost 6 per cent of the country's workforce, generated foreign exchange earnings exceeding A$10.7bn and accounted for expenditure estimated at $26.2bn last year.

Although the bulk of that expenditure total – A$18.4hn – came from domestic tourism, inbound tourism is expected to be the major growth area for the reat of the century, booeted by Sydney's capture last year of the 2000 Olympic Games.

This climate of growth has already catalysed strong investment. The Auetralian Tourism Commission (ATC) has identified tourism-related accommodation projects worth almost A$5hn schednled for completion hy t996, including two oew casinos.

The activity has also thrown np plans which will test equity markets, Including a float of the Federal Government's flagship airline Qantas, possihle refloating of the rival private airline, Ansett, and privatisation of the country's airports. These proposals could call on markets for around A$7bn over the next five years, providing a keen indication of investor attitudes to the tourism sector.

Some see even more at stake. Many analysts see tourism performance as an acid test of the wider Anstralian economy's ability to compete internationally into the next century. A recent study hy ANZ McCaughan, the Australian stockbroker, says tourism growth will largely reflect the conntry's ability to win an increasing share of the global tourism market, clearly one of the world's biggest industries.

ANZ McCaughan qnotes estimates that tourism accounted for aronnd 5.5 per cent of world gross national product in 1993, with more than 500m tonrlsts speoding almost A$325bn. Tourism is widely forecast to create one in nine new jobs in the world next year, rising to one in eight by the turn of the century.

Australia has one crucial advantage in capturing more than its share of this growth – its location in the Asia-Pacific region, the world's fastest growing tourist area. ANZ McCanghan says in the 12 years to t992, tourist arrivals in the region grew at an annual average of almost 9 per cent, more than double the world average. Continned regional ontperformance is forecast for the next decade.

Australia has more than matched this regional growth over the past decade, with arrivals Increasing at more than 9 per cent annnally. This record, plus the boost expected from the Olympic Games, recently led the ATC to confirm its estimate that 6.8m overseas tourists would visit Australia in the year 2000, rising to 8.4m hy 2004. This compares with 3.2m actual arrivals in 1993-4.

These forecasts reflect an estimated 2.1m overseas visitors generated directly over the next decade by the Sydney 2000 Olympics, with the bulk of business coming from Asia as slow economic recovery and intense competition curb traffic from Europe and the US.

Japan remained the largest single source of inbound tourists to Anstralla in 1993, claiming 22.4 per cent of the total. This was shaded by combined visitors from other Asian sources, which took 22.7 per cent. New Zealand provided another 16.6 per cent of visitors, the US 9.4 per cent, UK/Ireland 8.1 per cent and other European countries 10.5 per cent.

While less numerous than their Asian counterparts, UK/Ireland and other European visitors probably contribnted more to the Australian economy because their average stay was around 40 nights compared with just nlne nights for Japan and 32 nights for other Asian countries. The main reason for the discrepancy appears to be that UK/Ireland and European visitors come mainly to see relatives while most Asians come primarily for holidays.

ANZ McCaughan's analysis concludes that Australla's inbound tourism record over the past decade largely reflects the emergence of the country as an inexpensive place to visit. A weakening currency has helped, bnt the brokers calculate that the cost of tourism related services in Australia are now among the lowest in the industrialised world.

"Australia's tourism infrastructure ie generally adequate for present needs and there is every indication that it can respond quickly to actual and estimated changes in tourism plans," the analysis said. "The national attractions of Australia are snch that great opportunities exist in the growing eco-tourism market, reflecting in part the preferences of travellers for more active, participatory or experimental travel experiences."

KEY FACTS

Area	7,682,300 sq km
Population	17.66 million
Head of State	HM Queen Elizabeth II
Currency	Australian dollar (A$)
Exchange rate	Dec. 1993 $1=1.4733 A$
	Sep. 1994 $1=1.3514 A$

ECONOMY	1993	1994
Total GDP (A$bn) [1]	412.4	431.6
Real GDP growth (%) [2]	2.7	4.2
Components of GDP (%) [2]		
Private consumption	62.6	62.1
Total investment	19.6	19.8
Government consumption	18.3	18.4
Exports	19.3	19.2
Imports	-19.8	-19.5
Annual average % growth in		
Consumer prices (%) [3]	1.8	1.6
Ind. production (%) [2]	1.7	5.0
Hourly earnings (%) [2]	2.8	2.3
Share price growth (%) [2]	35.1	4.2
At Dec. 93, Sept. 94		
Unemployment rate (%)	10.7	9.3
Official call rate (%)	4.80	5.45
3 month inter-bank rate (%)	4.86	6.23
Govt. bond yield (%)	6.68	10.33
Official reserves (A$ bn) [4]	20.9	20.5
Trade (A$bn) [2]		
Current account balance	-15.7	-8.2
Merchandise exports	62.1	32.0
Merchandise imports	62.4	32.5
Trade balance	-0.4	-0.4
Main trading partners (%) [5]	Exports	Imports
Japan	25.2	18.1
USA	8.7	22.8
Singapore	6.5	2.4
Korea	6.2	2.7
UK	3.9	6.0
EC	17.8	20.1

(1) First half of 1994 annualised. (2) First half of 1994 only.
(3) Growth over 12 months to end Dec 93, end Sept 94.
(4) Reserves Dec 93, August 94.
(5)Percentage shares of trade in 1992.
Sources: IMF, EIU

More bumps on road to reform

□ Contd. from Page 1

It is over the medium-term that the clouds start to loom. Unemployment has been slow to fall in Australia, and is expected to average a little under 10 per cent in 1994. The government responded earlier this year with a comprehensive package of measures, including a promise of subsidised employment or training for all long-term unemployed. It was costed at A$6.5bn over the next four years.

But rather than fund the package with new tax measures, which could have been politically troublesome, ministers chose to utilise the "growth dividend" – the higher than expected tax receipts flowing from the country's rapid economic recovery. That, in turn, meant that there was no scope for accelerating the government's deficit reduction plan in the 1994 budget, which repeated the previously-stated aim of cutting this to one per cent of GDP by t996-97. More recently, there have been suggestions that fiscal strategy may be reviewed next year. But analysts are sceptical.

An even larger cloud on the horizon is the current account situation. This has been a hugbear for Australia lo the past, with an upturn in domestic activity tending to lead to a surge in imports – in part, to meet capital Investment requirements. As the trade balance has gone out of kilter, interest rates have been forced up, and a "boom and hust" scenario has developed.

This time, the anticipatory response has been twofold. There has been en all-out effort to promote Australian exports, most notably to Asia, which now accounts for over 60 per cent of the country's trade. And there is an attempt to lift the country's low saving rate, through changes to the pension/superannuation system.

It is in the context of the former strategy that Australia's desire to establish a "free trade" zone in the Asia-Pacific region assumes considerable importance. The Asian Pacific Economic Cooperation group is due to meet this month to consider o report seeking the goal of free trade in all goods and services by 2020, witb more deveioped nations lowering their barriers at a relatively faster rate. Australia is expected to push the proposal hard.

At this stage, it would be a brave individual who tried to predict whether enough change had been wrought to break the previous cyclical pattern. Government ministers say yes; some local business leaders, and many Asian competitors, say no.

"Reviewing the scorecard, I'd give us about five out of 10 for our current policy mix," remarked Don Mercer, head of the ANZ banking group, earlier this year. "Unless we commit ourselves to picking up the reform agenda, we stand a pretty good chance of wasting the best opportunity in decades to secure the sustained recovery we deserve to bave".

Perhaps all that can be said with certainty is that the balancing act is a delicate one on which political fortunes will undoubtably ride.

هكذا من الأجيال

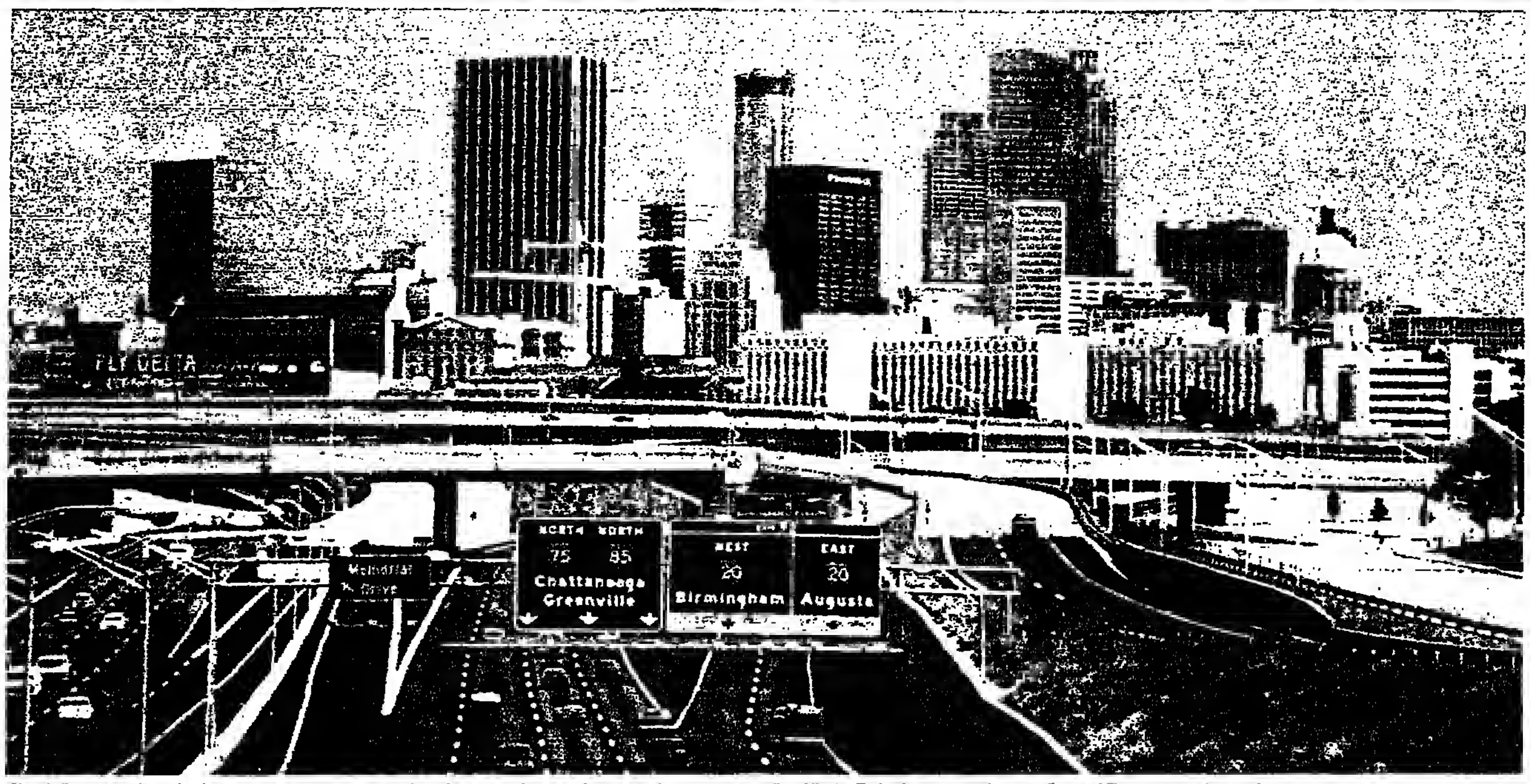
FINANCIAL TIMES SURVEY

A decade of economic growth: PAGE TWO

GREATER ATLANTA

Key facts and visitors' guide: PAGE EIGHT

Tuesday November 1 1994



City skyline: originally a simple railway town known as Terminus, it changed its name in 1845 to the grander-sounding Atlanta. Today its economy is expanding rapidly – see report, page two

Atlanta's preparations for the 1996 Olympics are well advanced

Where business success is prized above all

Atlanta has been the leading business city of the American South for several decades, but it now aspires to even greater things. The 1996 Olympics are widely believed by Atlantans to be the lever for catapulting the city to international standing, writes **Barbara Harrison**

The essence of other cities may be culture, high finance, beauty or glamour. But Atlanta has commerce in its heart.

The city prides itself on being a place where people can succeed, and where business success is prized above all.

"The whole tone of the city is one of aspiration," says Mr Alf Nucifora, a top local marketing consultant, who came from Australia some 20 years ago and rose to prominence.

While dreadfully prone to boosterism, Atlantans say their hometown is characterised by a "can do" attitude. Defeatism and "thinking small" are anathema here.

Although the heart of Atlanta is business, it is not a city that is money mad. It is more that Atlantans are single-minded in the pursuit of "making it," whether it be a successful dry cleaning shop or a leading worldwide television network – CNN.

Atlanta's attitude is perhaps a product of its history. Originally a simple railway town known as Terminus, it changed its name in 1845 to the grander-sounding Atlanta.

After being razed by Union Gen. William Tecumseh Sherman near the end of the Civil War, it rebuilt itself from the ashes to once again thrive in the late 19th century as a railroad town. Fittingly, Atlanta's symbol is the Phoenix.

Entrepreneurial spirit always seems to have powered the town. In the 1880s, a shrewd businessman by the name of Asa Candler saw the immense possibilities of marketing sweet fizzy water and built the foundation of the Coca Cola empire. Coca Cola's worldwide headquarters remains here today.

It has been the leading business city of the South for several decades, but it now aspires to more. It wants international status. Although some snigger, Atlanta wishes to be the "next great international city," in the same league as New York or Los Angeles, London or Rome.

The 1996 Olympics, which will be held here, are widely believed to be the lever for catapulting the city to international standing. And Atlanta is putting every ounce of its energy into trying to make the Olympics a marketing opportunity for the city as well as the state of Georgia, of which it is the capital.

Since August 1993, the Chamber of Commerce has run an international advertising campaign using the Olympics to boost the city on CNN International. The ads are part of a five-year, $10m-plus marketing program by the Chamber.

Mr Nucifora is also trying to raise $5m for another campaign to market Atlanta in the run-up to the Olympics. He hopes the theme of the new campaign will replace the old slogan "The City Too Busy To Hate," which has endured since the days of the struggle for civil rights and is now clearly outdated.

The new slogan will be about aspirations and dreams, a theme endorsed by nearly 90 per cent of those he has queried.

At the same time, the Governor of Georgia, Mr Zell Miller, has appointed a group of business leaders to orchestrate a high level, individually targetted marketing effort called "Operation Legacy." It is hosting a series of invitation-only tours of Atlanta for top companies and individuals which might invest here. The best prospects will be invited back to attend the Games.

While not yet of international stature, Atlanta has much to boast about. Already home to representative offices of more than 730 of the Fortune 1,000, it is consistently rated as one of the most desirable cities in America in which to relocate a company or start a new business. This year, Altanta was the winner of the 'Best Cities for Small Business' award by Entrepreneur Magazine. It also topped the World Trade Magazine's recent list for the best ten US cities for global companies.

Good location and transportation facilities continue to be Atlanta's main economic attractions. By air, 80 per cent of the American population can be reached within two hours. Atlanta's Hartsfield International Airport, with over 1,500 daily flights, including some 300 international flights a week, is rated the world's second busiest. An average of 50m passengers a year pass through Hartsfield, which has just opened a new international concourse that can process 6,000 passengers an hour. Although mired presently in downsizing, Delta, one of America's top three air carriers, calls Atlanta home and accounts for about 80 per cent of the airport's passenger traffic.

Atlanta is also a leading distribution centre for goods moving over land. Three interstate highways intersect the city.

Continued on page two

IN THIS SURVEY

Editorial production: Michael Wiltshire

GREATER ATLANTA 2

The city's prosperity has lured more and more companies to 'Hotlanta,' as the boosters are fond of calling it

Favoured US venue for business relocation

Continued from Page 1

For rail distribution, CSX and Norfolk Southern Railroads operate 80 freight trains in and out of Atlanta daily. Telecoms capacity is high, with more fibre optic cable laid than any city in the US. BellSouth, one of the leading Baby Bells, has its headquarters in Atlanta as does Turner Broadcasting and Turner's worldwide news network CNN.

If short on sophistication, Atlanta's quality of life is high at a modest cost compared to other large cities. Housing is moderately priced. Recreational amenities include an ample supply of golf courses, tennis clubs and city parks. Nearby, Lake Lanier is used for water sports, and the southernmost Appalachian mountains offer great hiking.

Its attractions have made Atlanta a boom town. The prosperity has lured more and more people to "Hotlanta," as the boosters are fond of calling it. Between 1984 and 1993, 1,506 new companies, including 361 foreign firms, have relocated to Atlanta, investing $80bn and helping to create a net increase of 487,600 jobs. Between 1980 and 1990, Atlanta's population grew 32.5 per cent to 2.83m. Last year, an estimated 86,000 people arrived in metro Atlanta, driving up housing construction by about 40,000 units.

Even with all of the city's appeal and formidable energy, there are still some who worry that the 1996 Olympics may not bring the glory to Atlanta that is expected. These sceptics say that the Olympics may prove that Atlanta lamentably believed its own hype and over-reached itself. A city of Atlanta's size with a more modest opinion of itself would probably have never even attempted to lure the Olympic Games. But Atlanta dared and won. And for the moment, the $1.5bn worth of Olympic preparations are reported to be on schedule and on budget.

Between 1984 and 1993, 1,506 companies, including 361 foreign groups, set up business in Atlanta. Britain and Japan are leading overseas investors

Perhaps because so many have come here and done well, Atlantans feel a deep affection for the city. This has in turn led to one of its greatest distinctions: the business community is perhaps the most civicly active in America. They not only give money to community causes, they give time and energy. They chair arts and community development committees, raise money for charities, clean up public parks, and volunteer for The Atlanta Project, the local anti-poverty programme of the former US president, Jimmy Carter.

It is a point of pride for business and professional people to be involved in community affairs. Mr Wyck Knox, a senior partner at the Atlanta law firm of Kilpatrick & Cody, has civic commitments that require a significant amount of his time, but he observes: "People in business and professional circles are interested in making things happen here."

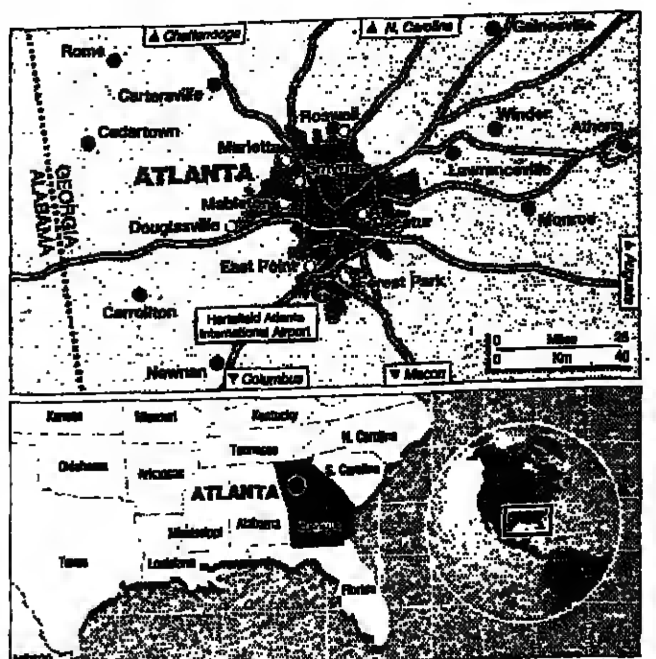
He admits civic involvement is also good for business – and he adds that "it's important in Atlanta to be perceived as doing something useful for the community."

Another of Atlanta's distinctions is its ability to maintain racial harmony when so many other American cities have been riven by racial animosities. Despite the fact that the central city is predominantly black, while the larger metro area is predominantly white, Atlanta's black politicians and white business élite long ago recognised the value of racial harmony for economic growth.

While all is not sweetness and light between blacks and whites, Atlanta's mayor, Mr Bill Campbell, who is black, says, that race "has not been a hindrance to finding common solutions or trying to work together." Black-white relations have been helped by the presence of a very large black middle class. With the biggest concentration of top black universities in America and an affluent black business community, Atlanta is considered a 'Mecca' for ambitious young blacks throughout the US.

In addition, as the birthplace of Dr Martin Luther King Jr., Atlanta proclaims itself the cradle of the civil rights movement. The King Center, which attracts nearly a million visitors a year, is receiving a facelift in anticipation of the Olympics' year.

The 1996 Olympics will allow Atlanta to be on the international stage, at least temporarily. But whether it stays there will depend on whether it carries off the event with maturity and aplomb or overdoes its self-promotion. If it makes the latter mistake, it may simply look tastelessly opportunistic.



❑ Atlanta is the state capital of Georgia. Convention and trade shows bring in $1bn annually to the metropolitan area. It is a leading distribution centre in the US for goods moving over land. The city has representative offices of more than 730 of the Fortune 1,000 companies. Atlanta has 19 career consulates and 32 honorary consulates; 13 foreign chambers of commerce; and 32 foreign owned banks.

❑ For more key facts on Atlanta, see page eight of this survey.

Diversity of business sectors has helped Atlanta weather financial setbacks

Investment keeps the economy bubbling

Atlanta is pinning many of its economic hopes on what the 1996 Olympics will render, reports Barbara Harrison

The economic outlook for Atlanta is as cloudless as its best summer day. The 1996 Olympics have only strengthened what already was a strong positive trend.

"The Atlanta economy continues to expand at boom conditions with no evidence of serious slowing," comments Mr Don Ratajczak, director of the Economic Forecasting Center at Georgia State University in Atlanta.

Atlanta suffered only the mildest of downturns during the 1990-1991 US recession. Although the collapse of Eastern Airlines helped produce a net job loss of 20,500 in 1991, that has been the only negative figure for jobs in the entire decade between 1984 and 1993, *see table below.*

In the ten years between 1984 and 1993, 487,600 net new jobs were created in Atlanta, including 83,500 in 1993. (And, through the first six months of this year, Mr Ratajczak says that job growth was 89,300 above the previous year).

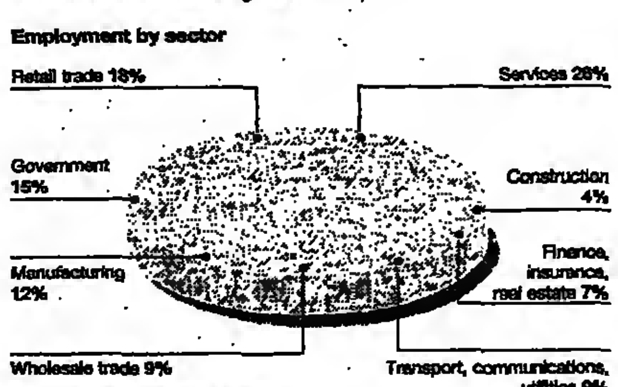
The diversity of Atlanta's economy, encompassing transportation, automotive manufacturing, wholesale distribution, ample retail, conventions and tourism, biotechnology, and telecommunications, has helped it weather the setbacks of any particular segment.

Furthermore, its attractive local business conditions have proven a magnet for investment. In the period from 1984 to 1993, 1,506 companies, including 361 foreign businesses, have relocated to Atlanta and brought $80bn in investment.

Between January and June this year, 83 more new companies, including 13 foreign businesses, expanded or relocated in Atlanta. According to the Atlanta Chamber of Commerce, they represent a real estate investment alone of nearly $60m.

Compared with the rest of the state of Georgia, metro Atlanta has been the overwhelmingly preferred site for relocation of foreign companies, which have more than $10bn invested in Georgia, according to a recent survey by KPMG Peat Marwick.

Atlanta's industry mix



Source: Georgia Department of Labor

The survey of 741 foreign-owned companies in Georgia found that the top three investors were the UK with $2.3bn, Japan with $2.2bn and the Netherlands with $1.5bn.

A Lou Harris poll last year found that Atlanta was the first choice for locating a new facility by executives from the *International Fortune* 1,000.

The city's relatively low operating costs, excellent transport facilities, reasonably priced housing and many amenities have helped it consistently rank among the top choices for relocation by US companies. Atlanta and Georgia also offer a number of tax and other incentives that make the choice more attractive.

While investment has kept Atlanta's economy steadily bubbling, the Olympics has helped it become positively effervescent.

More than $600m in Olympic construction is helping to drive a construction boom that was already under way in housing. Another $150m in city infrastructure improvements approved in July will push construction even higher.

Home building has risen not only with the drop in interest rates, but because Atlanta is drawing more people to it from other regions than any other city in America. More than 86,000 new people arrived in Atlanta in 1993, leading Mr Ratejzcak to predict that nearly 40,000 new households will be built this year and next.

Some analysts have even suggested that speculative commercial building, which flooded downtown Atlanta with office space during the 1980s, could start again as early as next year.

Vacancy rates are headed down and real estate investment is looking up. In a survey of large institutional investors, the Real Estate Research Corporation recently rated Atlanta the top investment market.

"The Olympics co-incided with what was going to turn around, anyway," observes Mr Andy Krikelas, a regional economist at the Federal Reserve Bank in Atlanta.

Atlanta's key transportation industry is showing strong gains despite continued lay-offs by Delta, the third largest US airline which has its headquarters in the city. However, innovative airlines such as Kiwi and ValuJet are helping mitigate the effects.

The important business of trade shows and conventions – Atlanta ranks as the fourth largest convention centre in the US – has improved this year. And, according to Mr Krikelas, there may even be potential for more retail development now that "consumers are coming back." He believes Atlanta's economy is "pretty strong right now – and we expect it to remain strong through the Olympics."

Although healthy growth seems assured through the 1996 Olympics, there are questions about what will happen afterwards. Measuring by the usual business cycle, it would be time for a recession.

But some expect that Atlanta's economic fizz will not stop. The city's mayor, Mr Bill Campbell, says that many infrastructure projects will extend past 1996 and will help keep some bouyancy in the local economy. Mr Ratajzcak also believes that construction will have a post-Olympic "soft landing" because commercial real estate will once again just be picking up.

Yet, Atlanta is pinning many of its economic hopes on what the Olympics will render. Various campaigns to market Atlanta using the Olympics are underway and are largely dedicated to winning international investment.

"If Atlanta pulls off the Olympics and does well, we'll get a lot of free advertising," says Mr Krikelas. But if the event comes off badly, he warned that the city could be headed for a painful hang-over after the party.

Trends in the commercial property market: see page 6

Atlanta's symbol is the Pheonix: the area was rebuilt after being razed by Gen William Tecumseh Sherman in the Civil War *Picture: Ashley Ashwood*

Summary of Atlanta's decade of economic growth

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	Total
New jobs created*	97,500	68,700	61,000	52,900	45,800	28,200	30,700	(20,500)	38,000	85,300	487,600
No. of announced projects	309	515	437	568	575	407	260	195	123	134	3,523
Value of announced projects, $billion**	10	12.3	8.6	15.6	14.3	9.1	3.6	3.1	2.0	1.4	80.0
Office space in millions sq ft	48	48	24	35	30	17	6	7	0.7	0.5	216.2
Hotel rooms built	11,040	11,025	10,156	8,378	3,642	3,950	2,208	775	330	0	51,505
Potential employment***	233,427	250,110	186,832	244,200	235,000	109,304	236,327	42,091	25,618	18,836	1,581,745
New companies located	168	226	180	146	123	150	130	129	125	129	1,506
International companies included in the above figures	46	50	39	27	50	39	36	26	23	28	361

*Indicates actual net increase (decrease) in the metro workforce, according to the Georgia Department of Labor; **Many of these projects will be developed in phases over several years. The full estimated built-out value is listed in the year in which the project was announced and not repeated in future years. ***Estimated potential employment, using industry averages if all projects are built to full expectation at the time of the announcement.

Source: Atlanta Chamber of Commerce.

TRADE BOOST: Mary Robinson, Ireland's president, met former US president Jimmy Carter at the Carter Center in Atlanta this month - see also the report on the Carter Center, page eight. President Robinson, who also attended a breakfast with local businessmen at the Atlanta Chamber of Commerce, aimed to promote trade relations and economic support for the peace process in Ireland. *Picture by John Kuntz, Reuter*

REGIONAL POLITICAL SCENE

City's influence is still dominant

Atlanta's local political scene can be a little confusing at first glance – "there is no such thing as an Atlanta government," says Tim Crimmins, a Georgia State University history professor and local political analyst.

The reason is that metro Atlanta, with 2.9m inhabitants, is composed of the city of Atlanta, a relatively smallish central city, and ten far larger surrounding counties. And, just to complicate matters, another eight counties are considered by the US federal government to be within Atlanta's metropolitan statistical area.

Each county has its own governmental structure intact and no intentions of consolidating into a metropolitan government. Instead, Atlanta's various political entities co-ordinate their policy-making on issues such as water, transportation and tourism through the Atlanta Regional Commission and, most importantly, try to speak with one voice for the purpose of drawing outside investment.

"Co-operation has lessened the need for consolidation," said Mr Harry West, the Atlanta Regional Commission's chairman. But the city and the surrounding county governments compete fiercely for the prizes of economic development. And political tensions would no doubt be far higher if Atlanta were not the economic juggernaut that it is.

Over the last few decades, the city has been losing more and more of its share of incoming investment to the surrounding suburbs. The shift has occurred over the last 30 years as the predominantly white, middle class suburbs have vastly grown, leaving the city of Atlanta with a predominantly black – and relatively poor – population of less than 400,000.

A political change has accompanied the population shift. The city remains a Democratic party bastion, while the suburbs are increasingly Republican and conservative. The leading right-wing Republican congressman, Mr Newt Gingrich, who represents some of Atlanta's northern counties, exemplifies the suburbs' political tenor.

Yet, despite some erosion of its power, the city's political influence is still dominant. It continues to be run by a working alliance of the white business elite and the black politicians who have held control of City Hall for over 20 years.

The city's mayor, Mr Bill Campbell, still plays the most crucial role in representing Atlanta. And his is a juggling act, says Prof Crimmins. While the mayor symbolically represents one of the most prosperous metropolitan areas in the US, he rules a central city that suffers from all the problems of crime, crumbling infrastructure, poor schools and insufficient revenues that besiege most of the big American cities. Fortunately, he seems especially apt at having a foot in both business and political worlds. A graduate of Vanderbilt and Duke Universities,

Atlanta's mayor, Mr Bill Campbell, plays the most crucial role in representing the city

two prestigious schools of the South, and a successful lawyer with a large Atlanta law firm, Mr Campbell is a generation away from the civil rights struggles that shaped the life of his parents and their contemporaries.

His two predecessors, Mr Meynard Jackson and Mr Andy Young, who had ruled City Hall successively from 1973 to 1993, are of the earlier generation. Both men broke colour barriers for public office. Mr Jackson was Atlanta's first black mayor, and Mr Young was the first black US Ambassador to the UN. Mr Campbell's talk now is mostly about "running city government like a business," rather than racial issues. In this sense, he seems a man well-suited for the fiscally straightened 1990s – "we have to find ways of doing things cheaper and with fewer people," he says. Having only been in office ten months of his four-year term, Mr Campbell says he has already shrunk the city's bureaucracy by 400 jobs.

The 1996 Olympics will assist Mr Campbell in dealing with some of the city's fiscal problems. Additional tax revenues will come in and the lion's share of $1.5bn in Olympic investment will be in the central city, helping to keep unemployment low and improving several of the poorest neighbourhoods through Olympic-related construction.

Adding to the construction boom, Mr Campbell won voter approval in July for a $150m bond issue for much needed city infrastructure improvements. He says that roughly 30 per cent of the projects, especially those related to streets, bridges and parks, should be completed by 1996. He also wants to put more spark in the city's financial management – "there is vast creativity in the financial world and we need to be less stodgy," he says. One new financial tool that he has heartily supported is the sale of tax liens to a private collection agency.

Mr Mitch Skandalakis, the chairman of the governing commission of Fulton County, wherein the City sits and which collects its taxes, initiated the tax lien measure. Recently approved by the commission, it will bring $75m immediately into the county's coffers, 20 per cent of which will go to Atlanta.

Mr Skandalakis, who is running for re-election this month, says that if re-elected he will restart talks that he began recently with Mr Campbell about eliminating duplication of services between the city and the county so that both could save money.

Mr Skandalakis, who is white and conservative, also juggles political and economic interests, given that his county includes Atlanta and some of the northern suburbs that want little to do with the city. Despite their differences, Mr Skandalakis gives the most compelling reason for political cohesion in metro Atlanta. He says he wants to help Mr Campbell succeed as mayor "because if Atlanta fails, the whole area fails."

Barbara Harrison

VENUE FOR THE 1996 OLYMPICS

A once-in-a-lifetime opportunity

Atlanta stands to prosper much from the Olympics. In return, the guardians of the Olympic movement know they will get a superbly organised sporting extravaganza, delivered via the latest technology to several billion homes around the globe, writes **Patrick Harverson**

After visiting Atlanta for even a few short days, it is impossible not to marvel at the feat achieved four years ago, when the International Olympic Committee was persuaded to award the centennial games to this thriving, hut in many ways unremarkahle, American city.

In Septemher 1990, most ohaervers helieved Athens would be chosen as host for 1996. Given the hlstoric ties between the Greek city and the Olympics – the first modern games were held there in 1896, so there would have been a perfect symmetry in returning a century later – the allure of Athens must have been powerful. Atlanta, in contrast, was a city best known for having been razed to the ground during the Civil War. How could it possibly win against Athens?

Mr Billy Payne, the Atlanta lawyer whose idea it was in the first place to bid for the Olympics and who spearheaded the campaign to win the centennial games, is still not quite sure exactly how it happened. Suffice to say, he remambers the vote for Atlanta in 1990 as a "miracle."

At the time, there was much cynical carping ahout how Atlanta won the games because, like Los Angeles in 1984, it would generate huge profits for the Olympic movement. Or because Coca-Cola, the long-time Olympic sponsor, was hased in the city. Or because only American organisational know-how could cope with the logistic nightmare that the games had become.

However, Mr Payne, who is now president of the Atlanta Committee for the Olympic Games (ACOG), insists that Atlanta's victory had nothing to do with money, or corporate influence, or notions of competence – "we had a strategy... that at this most important time in sports history, the people who had the power to award the right to host these games would do so to people that they trusted and that they liked. So we set about to do nothing more complicated than to assure them that they could trust us to take the Olympic movement into our custody at this important time, and do it great honour and justice. It was just that simple."

It was also a simple fact back in 1990, however, that Atlanta stood to prosper hugely from the Olympics, and the Olympics from Atlanta.

The latest economic impact study estimates that Atlanta and the state of Georgia will benefit to the tune of 80,000 jobs and $5.1bn in direct and indirect spending, with a minimum $200m in incremental sales tax revenue pouring into state coffers. In return, the guardians of the Olympic movement know they will get a superbly organised sporting extravaganza, delivered via the latest technology, and with the backing of some of the world's largest companies, to several hillion homas around the globe.

All of the money needed to run the games will come out of private aector pockets (although a small amount of public funds will be be spent on areas such ns security, transportation and street repair). Yet, in spite of the financial success of the Los Angeles games, Mr Payne says that raising $1.6hn has not been easy – "we started in a very difficult economy in 1990, and so it's happened a little bit slower than we wanted it to. Of the $1.6hn, hetween the amounts already under contract through television revenues and sponsorships, and the amounts that will come later from tickets, merchandising and concessions...we're about 92 per cent complete. So we've got to raise another $150m, and we've already got the companies and product categories targeted."

Construction of the new Olympic stadium and the athletes village is well under way and on target to meet the completion deadlines. Of the $1.6bn that will be spent on the 1996 games, about 35 per cent of the money will come from television (NBC paid a record $456m for the US rights), another approximately 35 per cent from corporate sponsors (such as Coca-Cola, IBM, Visa International and Matsushita), 15 per cent from ticket sales, 10 per cent from licensing and related merchandising sales, and a final 5 per cent from the sale of Olympic-related assets after the games are complete. And in theory, when it is all over the Atlanta games should register a profit.

Inevitably, the people of the Atlanta, its community leaders and its politicians are keen to know what how they will profit from the games.

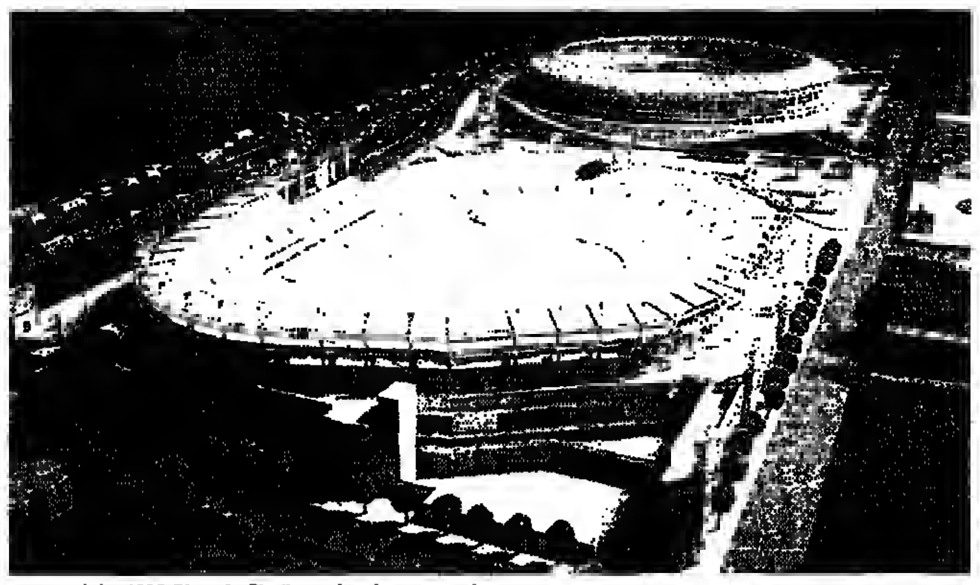
Managing civic expectations, in fact, has been one of ACOG's toughest tasks. In 1990, it was hoped that considershle Olympics-related money would be spent on improving conditions ln Atlanta's blighted inner city areas. Although some spending on infrastructure and services is planned, and $8.1m has been pledged from the Woodruff Foundation to help spruce up some neighbourhoods, many of those expectations have not been met. Over the past few years, the Corporation for Olympic Development in Atlanta (the body created by the former mayor, Mr Maynard Jackson, to lead the city's efforts to leverage the games) has identified $238m in public works that it helieves are needed in the city.

Yet, private sector funds have not been forthcoming for those works, which has created some bitterness within the community. Pressure groups like the Atlanta Olympic Conscience Coalition, which wants to see housing and development in the inner city nelghbourhoods tied to the games, want the Olympics to do more for Atlanta's neediest communities.

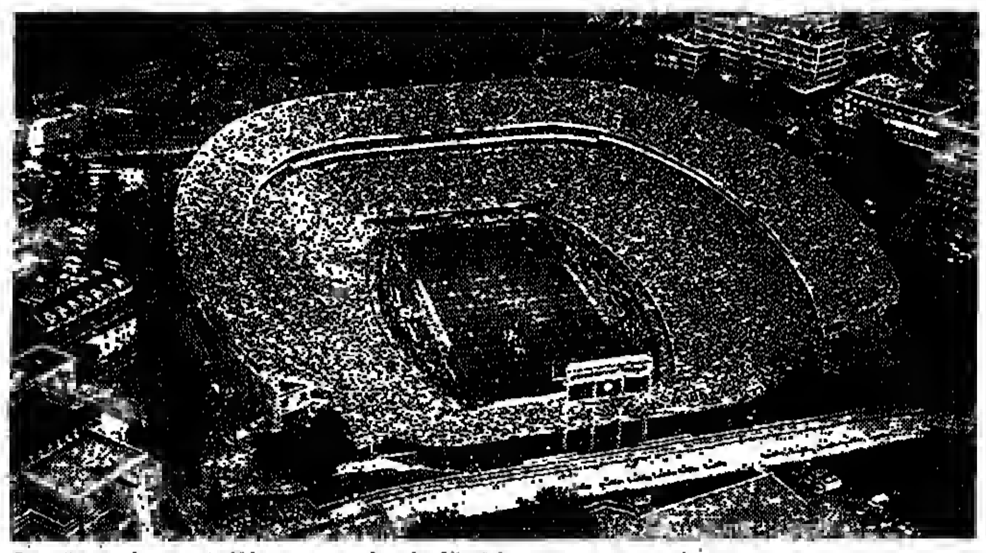
While Mr Payne says that hopes were too high from the start, he admits that the city and the organisers were slow to address the needs of the local community – "there was originally an anticipation that it would not get done unless the Olympic committee paid for it. That was an unrealistic expectation," he says.

"Now, however, we have a very pro-active mayor, a state that is beginning to feel the Olympics extend heyond Atlanta, and a private community that supports the projects like the park [the $50m, 60-acre Centennial Park that will be constructed in downtown Atlanta for the games]... hut the Olympics are not a cure-all for every social issue that possesses this urban environment."

Arguments over who should benefit from the Olympics and how to divide the spending pie, however, are as old as the games themselves. Ultimately, few in Atlanta are likely to complain that the Olympics should never have arrived on their doorstep. For a place that bas been proclaiming itself as "the next great international city" for the best part of 50 years, the games are a once-in-a-lifetime opportunity to make an impact on the world stage. Atlanta, a city that does not exactly suffer from a lack of self-confidence, is primed to do just that.



Model of the 1996 Olympic Stadium, showing a rear view



One of several sports facilities on a grand scale: Atlanta's soccer venue

Personality profile: Billy Payne, an Olympics altruist

A man with a message

It might be going a bit far to describe Billy Payne as an Olympic evangelist, but not too far, writes **Patrick Harverson**

Billy Payne: optimist

When Billy Payne, the president of the Atlanta Committee for the Olympic Games discusses the centennial games to be held in Atlanta in 1996, he speaks with the passion of a preacher. When he steps out of his office on to his halcony with lta view of downtown Atlanta, and spreads his arms wide to describe the planned layout for the new Olympic park, he looks as if he is ready to deliver a sermon to an assemhled flock below.

Seven years ago, Payne certainly needed a strong sense of belief ln himself – if not a higher being – when he came np with the idea of launching an Atlanta hid for the 1996 games. Most people at the time thonght he was mad. Even three years later, when the city's highly professional hid had heen snhmitted to the International Olympic Committee, few thought he stood mnch of a chance of succeeding.

However, since that day in Septemher 1990, when the IOC upset the odds and picked Atlanta over the sentimental favourite Athens, no one has made the mistake of under-estimating Payne again.

A 46-year-old attorney and former star college American football player, Payne shares the lofty ideals and cheerful optimism of another Georgian who hnrst on to the world stage from relative obscurity – former president Jimmy Carter. And like Carter, Payne places a lot of faith in his ability to get people to trust and like him. The secret to Atlanta's snccessful hid in 1990, says Payne, was the fact that IOC memhers trusted and liked Payne and his team.

They must have also liked what he had to say – that Atlanta would do more than just put on a highly efficient games – "organisationally, logistically, technologically, we're going to be the best that the world has to offer. And yet, that's not a big enough goal. The Olympic movement is not ahont objective achievements, it's not abont saying onr vennes were the best, or our transportation plan was the best. It's abont whether or not we advance that which is good abont the Olympic movement."

Furthermore, it is proof of the power of co-operation and friendship that Payne sees as the Olympics' lasting legacy. As he pnts it: "I am unaware of an international idea that has ever been articulated that has the potential and the power of the Olympic movement."

That potential, of course, has not always been realised in past games – boycotts in Moscow and Los Angeles, terrorism ln Mnnich. So when Payne spoke to IOC members abont Atlanta's bid, he said of the Olympic movement: "It has often heen abnsed and misnsed, and it's heen 100 years hoys, so let's get it straightened ont now."

Today, the preparations certainly seem straightened out – most of the money for the games is raised, construction of the Olympic stadium and the athlete's village is well under way. In spite of having to overcome some early political hurdles, Payne says he was always confident thet Atlanta could put on a good show.

"The second we were awarded the games, and the words came out of President Samaranch's month – 'The city of Atlanta' – the success of these games was absolutely assured. There is now way the United States of America would not do whatever it took to meet or exceed the expectations of the world."

Atlanta, of course, shonld benefit hugely from the Olympics in terms of the local economy and the region's image in the US and the wider world. For this, Payne is a hero to many Atlantans, and people say that after the summer of 1996 he could run for, and win, political office in Georgia.

Billy Payne, however, is very mnch the altruist. Like another former president, he asks not what the Olympics can do for Atlanta, hut what Atlanta can do for the Olympics – "if success is measured only in what Atlanta gets out of it, then these games will have been a horrihle failnre. We have got to give something hack to the Olympic movement."

Moves to counter an encroachment by the Carolina giants

Regional banking contrasts

The banks have benefited greatly from the robust health of the regional economy, which survived the 1990-1991 nationwide recession virtually unscathed, reports **Patrick Harverson**

To the dismay of some proud Georgians, three of the five biggest banks in the Atlanta region hail from North Carolina. Of the three out-of-state banks, two are based in Charlotte (Nationsbank and First Union) and one in Winston-Salem (Wachovia). The lone Atlanta banks are SunTrust (which owns the venerable Trust Company of Georgia franchise), and Bank South, the smallest of the hig five.

The supremacy of the Carolina banks is a relatively recent phenomenon. In 1984, when tha south-eastern compact – a series of agreements between states in the south-east to hlock takeovers of local institutions hy banks from outside the region – was forged, Atlanta was the region's husiness capital, and its banks appeared well-placed to prosper accordingly.

However, over the following decade while Georgia banks were stifled hy the weight of cumbersome and antiquated state banking regulations, North Carolina banks were expanding rapidly through aggressive acquisitions made possible by a much more flexible regulatory environment.

By the early 1990s, consolidation among banks in the south- east had created a new breed of "super regionals," and three such giants – NationsBank, First Union and Wachovia – were firmly encamped on Atlanta banks' turf.

The largest Atlanta-based bank before consolidation was the C&S Corporation. After a series of strategic blunders, it was taken over by NCNB of Charlotte in a deal that created NationsBank, now the biggest super regional in the US. First Union and Wachovia also bought banks from Georgia and other south-eastern states.

The contrast between the development of banking in North Carolina and Georgia explains how the Atlanta banks lost their way, says Mr John Coffey, a bank analyst at the Atlanta securities firm of Robinson-Humphrey.

"North Carolina is almost a laboratory for banking. It's been so progressive. The state itself looks like what banking in the US will probably look like in 10 or 20 years. There are three big players who control 55 per cent of the market, and they are another 80 who control the remainder. In Georgia, there are 300 banks, yet it's a similar-sized market to North Carolina."

The encroachment of the Carolina giants, however, does not mean that Atlanta's two surviving big hanks have languished these past few years. Quite the opposite. The conservatively-run SunTrust has become one of the most profitable banks in the country, and Bank South has performed a remarkable comeback from loan problems which at one point looked as if they might overwhelm the bank in 1991.

Both banks, as well as the three from North Carolina, have benefited greatly from the rohust health of the regional economy, which survived the 1990-1991 nationwide recession virtually unscathed, and which continues to post above-average growth.

Mr James Williams, SunTrust's chairman, attributes a great deal of his bank's successes to the strength of the local economy. Under the stewardship of its safety-first management, SunTrust has achieved the remarkahle record of never having reported a decline in annual earnings. In 1993, the bank earned $474m, 17 per cent more than in 1992, and this year SunTrust is on target to record earnings growth of 10 per cent.

Although the hank's assets have grown from $5bn to $40bn in the past 10 years, Mr Williams says only half of that growth has come from acquisitions – the remainder has been derived from internal growth.

Remaining true to its conservative philosophy, SunTrust sticks to what it knows best: loans to mid-sized companies; its long-estahlished trust business, which serves the needs of many of Atlanta's richest families; retail banking and mortgage lending; and fund management. The bank also owns a big stake in Coca-Cola which it has held since helping the company go public in 1919, and which is now worth $1.2bn.

Typical of the SunTrust strategy is its recent move into the mutual fund husiness. Since its entry last year, the bank has built up a stable of 19 mutual funds with assets of $4.5bn. The funds are proving popular and profitable, and the bank's chairman admits they were a bit tardy in exploiting the mutual fund boom – "we should have been in earlier," says Mr Williams, "but we got in carefully. When we did it, we did it right, and we are now highly successful."

In sharp contrast to SunTrust'a steady but unspectacular progress, Bank South's recent history resembles a rollercoaster ride. In 1991 the bank was close to failure, hurdened by too many problem property loans, but new management arrived that year under the leadership of several former C&S executives, including turnaround expert Mr Patrick Flinn.

With Mr Flinn as chairman, Bank South cleaned up its loan book, and rebounded strongly, forging a name for itself as Atlanta's community hank. With more than 80 per cent of the bank's business in the Atlanta metropolitan area, it fully deserves that title. As Mr Coffey of Robinson-Humphrey explains: "They're the local independent hank that is more willing to serve you than those Yankee interlopers from North Carolina. That's the way they position themselves."

An aggressive and innovative marketing campaign, some astute acquisitions in the metropolitan region, and several fast-growing businesses including mutual funds and discount hroking, have all helped turn Bank South into Atlanta's premier retail bank.

The successes of SunTrust and Bank South means they are regarded as juicy targets for takeover hy larger hanks in the region, or from outside the south east (the region's compact is in the process of being dismantled, and interregional banking will soon become the norm).

For Bank South, the prospect of being taken over does not seem to have quelled its appetite for expansion – "of all of them, Bank South is probably the most acquisitive," says Mr Coffey. "They will probably continue to cement their franchise in Atlanta. At the same time they are the most often-mentioned takeover target, just hy virtue of their size. As a result, their stock price reflects it."

The analyst, however, does not think that anyone will make a move on Bank South soon – "no one could buy them without incurring significant earnings dilution. Their [defence strategy] is independence through performance, rather than through size."

Size, however, may prove a good defence for SunTrust. That, at least, is the belief of its chairman Mr James Williams, who says the bank's size (assets of $6.6hn), plus the premium that any acquirer would have to pay, makes SunTrust too much for most banks too swallow.

A merger of equals involving SunTrust is seen by analysts as a more likely outcome, and Wachovia of North Carolina is regarded as the bank that would make the snuggest fit. For the moment, however, SunTrust is concentrating on growing its earnings and completing a massive share buyback programme – it has already spent $300m on acquiring 7m shares and has the approval to huy another 5m – and shying away from talk of acquisitions and mergers.

Mr Coffey says of SunTrust's management: "I think they see more value in paying for their own stock than someone else's."

HOLIDAY INN® WORLDWIDE

A ROOM

that provides all the services budget-minded travellers need, without the features they don't require on every trip. Located throughout North America, with plans for expansion into Europe, South America, and Asia, Holiday Inn Express® hotels offer:

- Comfortable guest rooms
- Free breakfast bar featuring fresh fruit, cereal, and pastries
- Rapid, efficient check-out
- Points for merchandise or airline mileage that guests can collect through the Holiday Inn Priority Club® programme

Holiday Inn EXPRESS®

A ROOM

in a hotel with a distinctive regional personality and ambiance. Located throughout Europe and South Africa, Holiday Inn® Garden Court hotels offer:

- The reassurance of Holiday Inn at an increased number of destinations
- Unique character and style that varies by hotel
- Meeting and leisure facilities as well as services and amenities that are appropriate to each hotel and its location
- Quality guest rooms
- Points for merchandise or airline mileage that guests can collect through the Holiday Inn Priority Club programme

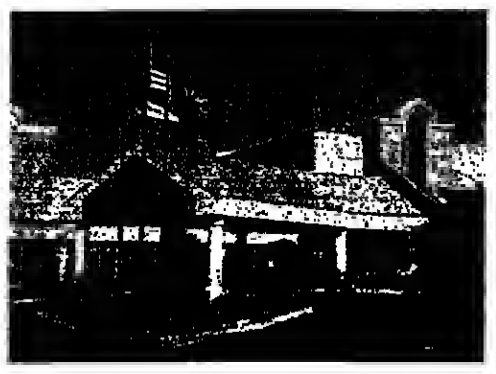
Holiday Inn Garden Court

A ROOM

in more than 1,500 locations around the world. In addition to dependable service and attractive facilities at an excellent value, Holiday Inn® hotels offer:

- A range of meeting facilities
- Full-service restaurant and lounge
- Swimming pool (at most hotels)
- A new alternative, Holiday Inn® Hotel & Suites, designed for extended-stay travellers desiring even more room (available soon in designated U.S. hotels)
- Points for merchandise or airline mileage that guests can collect through the Holiday Inn Priority Club programme

Holiday Inn



THE RIGHT HOTEL FOR EVERY TRAVEL OCCASION.

Wherever your travels take you . . . to cities large or small, to airports on business or on a short break, we'll be there to take care of you. Whether you're going as near as the next town or as far away as the other side of the world, you'll find a Holiday Inn® Worldwide hotel waiting for you.

And now, the Holiday Inn Worldwide hotels that you've known and trusted are changing to serve you in even more and better ways. We're challenging ourselves to achieve even higher standards of quality and making this a priority at every hotel around the world.

We're redesigning and improving the hotels that you visit regularly. Our network of "green sign" Holiday Inn hotels will participate in aggressive product and service programmes to make sure we always meet your expectations. Our popular Holiday Inn Express® hotels are being introduced in Europe, designed to offer an economically priced package for the traveller seeking the basics. Holiday Inn® Resorts are located in desirable leisure destinations and Holiday Inn® Garden Court hotels

هكذا من الأصل

هكذا من الأصل

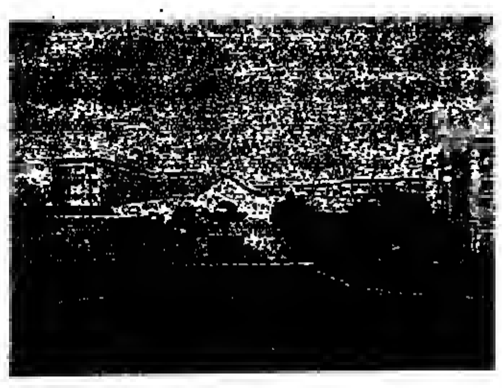
RLDWIDE ANNOUNCES:

A ROOM

in a resort offering great value in preferred holiday destinations, to both leisure guests and conference delegates. Holiday Inn® Resort hotels can be found in preferred destinations and offer:

- Extensive choice of features and services drawing on surrounding attractions, such as golf, tennis, horseback riding, and watersports
- Swimming pool and enhanced exercise facilities
- Full-service restaurant
- Points for merchandise or airline mileage that guests can collect through the Holiday Inn Priority Club programme

Holiday Inn® Resort



A ROOM

in a hotel that specializes in serving the business traveller. Holiday Inn Select℠ hotels, available soon, will be located in metropolitan areas in North America and will offer:

- Spacious, comfortable rooms with pleasing residential decor
- Well-lighted work area including dataport and voice mail
- In-room coffee maker
- Full business services such as photocopying and faxing
- Meeting capabilities for small to mid-size groups
- Swimming pool and exercise facilities
- Full-service restaurant and lounge
- Points for merchandise or airline mileage that guests can collect through the Holiday Inn Priority Club programme

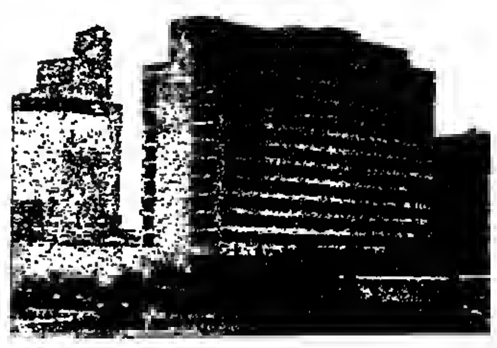
Holiday Inn SELECT™

A ROOM

in a distinctively designed hotel offering a superior standard of amenities and services. Located mainly in key business areas of major cities and at international airports, Holiday Inn Crowne Plaza® hotels offer:

- Superior, well-appointed spacious rooms with in-room dining
- Superior hotel dining
- Concierge service to assist with a variety of guest needs
- Extensive business services
- Fully equipped meeting facilities
- Special hotel benefits as well as points for merchandise or airline mileage that guests can collect through the Holiday Inn Priority Club programme

Holiday Inn CROWNE PLAZA®



[illegible] available in a greater selection of destinations [illegible] we have introduced Holiday Inn [illegible] Holiday Inn® Hotel & Suites, to provide [illegible] for our guests.

[illegible] hotels are committed to [illegible] leaders in [illegible] distinctively designed [illegible] business and leisure [illegible] worldwide with [illegible] so that we [illegible] commitment to you—to provide the right hotel at the right prices, anywhere your travels take you. But, in the midst of all these changes, there is one important thing that will not change—our tradition of warm hospitality and friendly service.

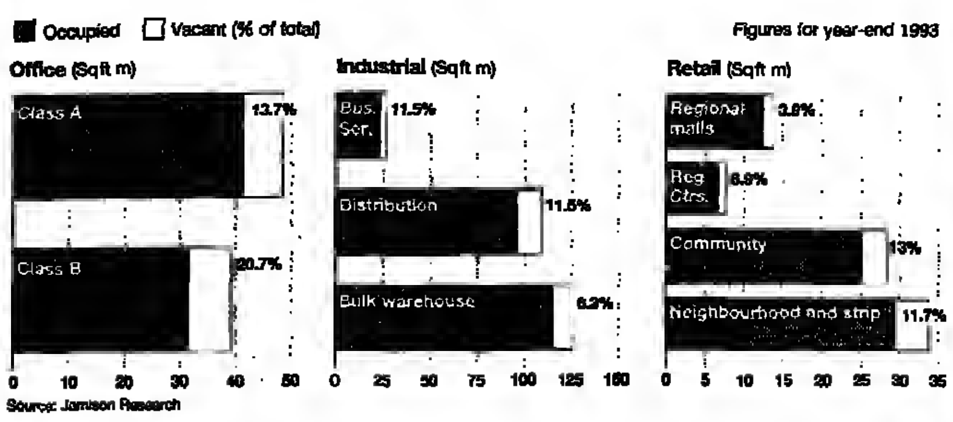
Holiday Inn® WORLDWIDE

A WHOLE NEW WORLD

Holiday Inn Worldwide hotels. We're just around the corner . . . and all around the world. For reservations at Holiday Inn hotels, call toll-free: from Belgium 0800 1 99 77; France 05 905 999; Germany 0130 81 51 31; Italy 1678 77399; The Netherlands 060 221155; The UK 0800 897 121.

First National Bank in Broad Street, Atlanta — Picture: Veronica Garbutt

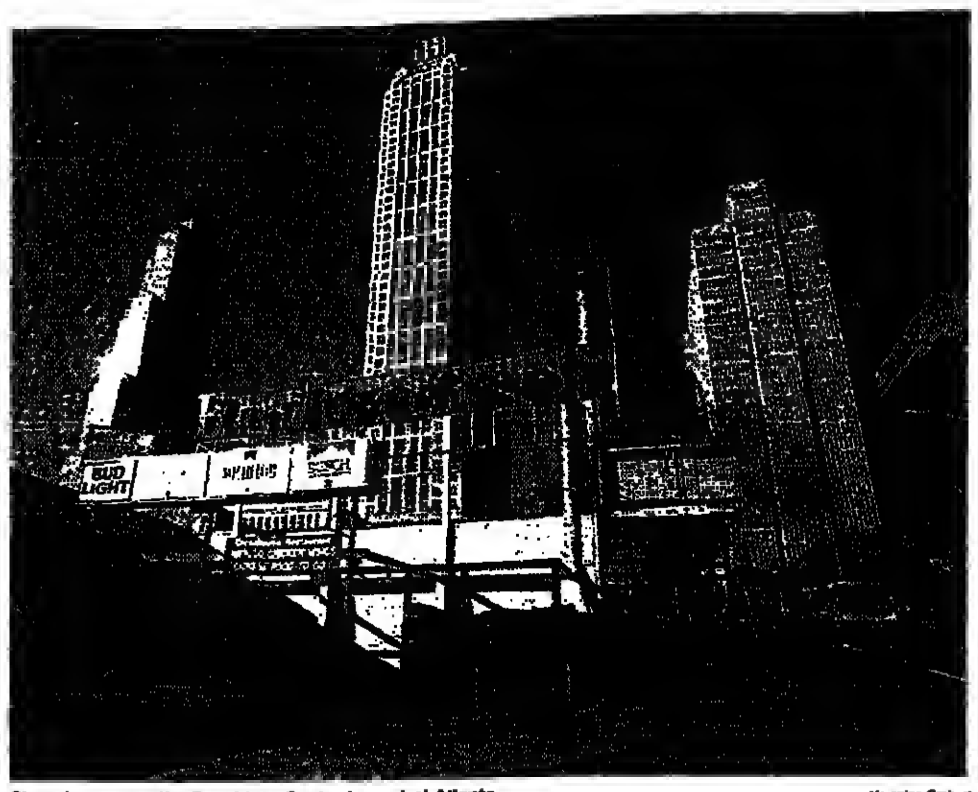
Atlanta commercial property markets



Source: Jamison Research

OFFICE MARKET	Million sq ft 1993	1992	INDUSTRIAL MARKET	Million sq ft 1993	1992	RETAIL MARKET	Million sq ft 1993	1992
Total market	86.2	87.4	Total market	261.0	255.1	Total market	82.1	78.2
Vacancy space	14.5	17.8	Vacant space	22.4	25.4	Vacant space	8.8	9.5
Under construction	0.0	0.4	Under constrcn	2.5	2.8	Under constrcn	1.8	2.7
New space added	0.3	3.0	New space added	5.9	3.9	New space added	3.9	0.8
Net absorption	3.0	2.6	Net absorption	8.8	7.9	Net absorption	4.8	1.4
Vacancy rate	16.8%	20.3%	Vacancy rate	8.6%	10.0%	Vacancy rate	10.7%	12.1%

Transactions in the the industrial property market involved 25.1m sq ft in 1993, compared with 22.9m sq ft in 1992. Sublease space in the office market in 1993 was 2.4m sq ft in 1993 compared with 1.6m sq ft in the previous year. Data sources: *Jamison Research Inc; Carter Oncor International*



Shopping venue: the Peachtree Centre in central Atlanta — Veronica Garbutt

TRANSPORTATION

Fanfare for new airport facilities

On September 21, Hartsfiald Atlanta International Airport opened its new $305m international facility – Concourse E – with as much fanfare as it could possibly muster.

Hartsfield's managers had good reasoo to create as much hoopla as possible, for the facility's opening was the first positive news at the airport in a long time.

From 1992 until just two months ago, when the name Hartsfield appeared in headlines it was more ofteo than not accompanied by the words "scandal" and "corruption." An investigation had uncovered corruption in the airport's concession husiness. Some of the leading figures in Atlante's city council, including Mr Ira Jackson, the former aviation commissioner whose responsibility it was to run Hartsfield, were found to have accepted bribes from a company which had heeo awarded valuahle contracts to run some of the airport's coocessions business.

Since that investigation, Mr Jacksoo and several other defendants, including the operator of the airport's Paradies chain of shops, have been convicted of various hribery, fraud and conspiracy charges.

The concessions scandal did more than just sully the airport's and the city's reputation. The slow progress of the investigation and the court cases delayed the raising of new funds for the airport and the completion of important projects, including the construction of Concourse E and the huilding of a huge new atrium at the main terminal.

Ms Angela Gittens, who was given the task of restoring Hartsfield's reputation when she was appointed Atlanta's aviatioo general manager in November 1993, admits that morale at the airport was very low when she arrived – "we'd been wallowing for quite some time... decisions were not getting made. We couldn't go forward [with the oew concourse] because the principal concessionaire was involved in the scandal. It held up lot of things."

The delays set hack the international concourse project, and the cost of the facility ballooned from an originally projected $244m to more than $300m. Consequently, Ms Gittens made opening Concourse E on schedule her top priority last November. It was a struggle at first, she says – "it was about dealing with all of the pieces. To finish the terminal we had to get the financing. To sell the bonds we had to get [certain] agreements with the airlines. To get the agreements with the airlines, several issues outstanding had to be settled... we moved forward, piece by piece."

The airport's managers, however, now believes the worst of the scandal is behind them, although there is still some controversy over the fact that the company at the heart of the corruption scandal – Paradies – continues to operate its Hartsfield concessions. Uoder Ms Gittens, however, the system for awarding concessions contracts has been changed – "we are now looking for husiness acumen [from hidders], oot political influence," she says. Ultimately, the hope is that the opening of Concourse E and the completioo of the main terminal atrium will focus attention on Hartsfield's future, not its past.

Concourse E is hoth an impressive sight – it is the largest international airport terminal in the US – and an important additioo to Hartsfield, which had outgrown its previous international facilities. It has 24 gates with room for another ten, and it can handle up to 6,000 passengers an hour, compared to just 3,400 in the old concourse.

Hartsfield needed a oew international facility because its non-domestic traffic, currently five per cent of total passenger traffic, is expected to grow in coming years, especially to and from Latin America. This is primarily a reflection of the airport's reputation as an excellent connecting huh. Traditiooally, Hartsfield has handled more passengers joining connecting flights than "origin and destinatioo" passengers, hut that is changing. While origin and destinatioo passengers accounted for just 26 per cent of total traffic four years ago, today they account for 40 per cent – "we're no longer just an airport where people change planes," says Ms Gittens. In some ways, Hartsfield is a microcosm of the US commerical aviation husiness. In 1991, the economic recession and the financial crisis among many domestic carriers led to a sharp drop in passenger traffic and revenues, especially after Eastern Airlines, which used Atlanta as a huh, went out of husiness.

Yet, the industry – and with it Hartsfield – has been slowly recovering from the losses and turmoil of the early 1990s, aided hy the growth of the local economy and the arrival of a oumber of new, predominantly low-cost airlines. The husiness which was lost when Eastern collapsed has been more than recouped with husioess from new start-up carriers such as ValuJet, Air South and National Airlines, all of which fly out of Hartsfield.

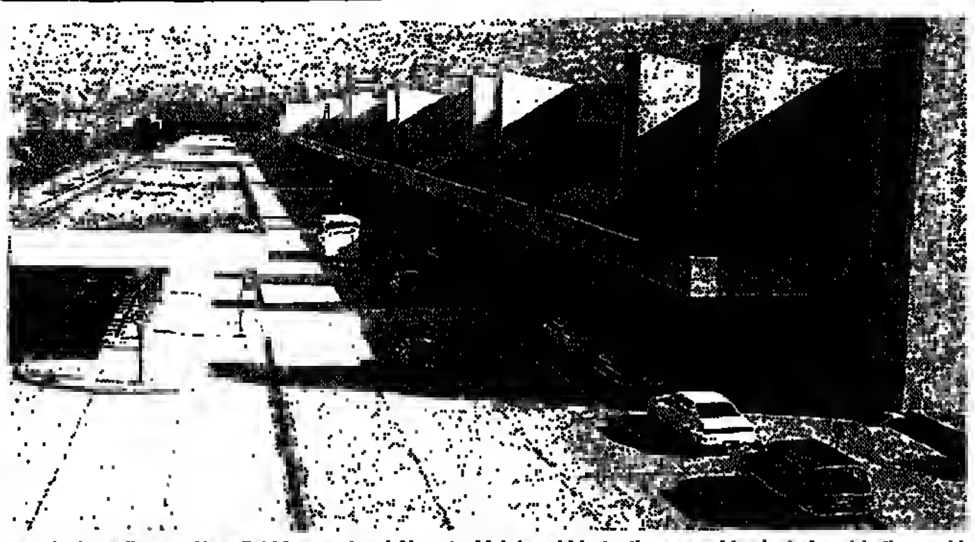
Ms Gittens says that "in some ways, Eastern's demise – while unfortunate in terms of the economy of the area and jobs – created some opportunities for other carriers, and for more origin aod destination traffic. And it offered the Atlanta-area flying puhlic some opportunities for lower fares."

Hatsfield has heeo fortunate in that it has not borne the hrunt of the dowosizing hy Delta. The financially-strapped airline is headquartered in Atlanta, uses the airport as its main huh, and is the region's higgest private employer. Although Delta is in the middle of a huge cost-cutting programme, Ms Gittens says the carrier has been expanding its operations at Hartsfield recently.

For oow, Altanta's airport looks well set for the future. The Olympic games in 1996 will give it a chance to grab the spotlight, and see how well its new international concourse handles a sudden inflow of overseas passengers. They are likely to be impressed. Hartsfield is user-friendly, with well-designed terminals conoected hy an efficient underground rail system, and linked to Atlanta by a fast and cheap rapid-transit line, the Marta.

These assets have not been overlooked by passengers. For the past four years, Hartsfield has been selected the best airport in North America hy readers of *Business Traveler* magazine. With its new international concourse, and soon a handsome new atrium in the main terminal, Atlanta's airport is aiming for five in a row.

Patrick Harverson



Terminal buildings at Hartsfield International Airport which is said to be the second busiest airport in the world, handling 50m passengers a year and an average of 1,500 flights a day — Veronica Garbutt

Coming soon: The 'Gone With The Wind' theme park

Bringing a legend to life

There is little in Atlanta that would call to mind the legendary Tara plantatioo of *Gone With the Wind*. Historians are fond of noting that the sprawling, becolumned southern mansions of the type made famous hy Hollywood never existed this far inland. Even the ramshackle house where Margaret Mitchell penned her famous book has been destroyed by fire.

Tourists, take heart: after years of residing only in the pages of Ms Mitchell's novel and on the silver screen, Tara – and its sister plantation, Twelve Oaks – will at last have a home in Atlanta – or at least close to Atlanta. A California company has announced plans to huild a "Gone With the Wind Country" theme park near the tiny village of Villa Rica, about 32 miles west of the city.

Scheduled to open in the spring of 1996, a few months before the summer Olympics, the $50m park will be aimed at a mature audience interested in how the film was produced. Developers hope the main attractions – replicas of the Tara and Twelve Oaks film sets – will draw 850,000 a year of the more than 16m tourists who visit Atlanta annually.

The park, expected to employ between 150 and 300 people in its first year, will feature horseback riding, a $10m golf course, a $35m hotel and a $17m condominium development, hringing the overall cost of the complex to more than $100m hy 1997.

The citizens of Villa Rica, a community of 4,000 on Atlanta's "forgotten" west side, already are seeing dollar signs. The town descrihes itself in tourist literature as a "City of Gold", and with the construction of Gone With the Wind Country in their hack yard, resideots helieve they may finally have struck the mother lode – "property values are already going up," says Jeane Williams of the Villa Rica city couocil. Her concern is whether the town is ready to cope with the increased traffic and congestion the 1,200-acre park will hring to this rural community, which until now had largely escaped development.

Neal McCreary, a Villa Rica property agent, says that Ms Williams has nothing to fear except the loss of some of Villa Rica's small-town charm.

"All the revenue the park will generate doesn't represeot any strain on our infrastructure," he says. "The park itself will not put one additional child in our schools. That's a good type of revenue to have coming in."

Andy Henshaw, city manager at the city hall, predicts that the park will douhle tax revenues to the town within three to four years – "everyone is elated that we're getting the Gone With the Wind theme park. The city council has been supportive, and most of the citizens can't wait until it's huilt."

The city's business community is also eagerly awaiting the developmeot of the park –"this is a dead town," says Grady Vickery, manager of Dangar's Feed & Seed. "There's nothing here to attract people. An attraction like [Gooe With the Wind Country] isn't going to hurt anything."

He expects the park to give ao immediate lift to local hotels and restaurants, and hopes that he can cash in, too – "it's Tara, right? They might have to have something like hogs on that farm. Those animals have got to eat."

Whether Gone With the Wind County will share its riches with the likes of Mr Vickery, remains to be seen, hut Mr Henshaw believes the park will turn Villa Rica into a land of opportunity – "a lot of our citizens are under-employed to some degree," he says. "What we hope to do is provide good-paying johs so they can support their families."

The cost to the city for the park and the opportunities it may hring is estimated at $316,000 for extension of water and sewer services. Acquisition of right of way for new roads may add to that figure. County, state and federal governments are pitching in for a highway overpass in an incentive package valued at more than $3m.

Snags in the highway overpass construction deal have already delayed ground-breaking on the park hy ahout a year, according to local newspaper reports. But park developer Mark Driscoll says the project remains oo schedule for a 1996 opening, the year the of the centennial Olympics.

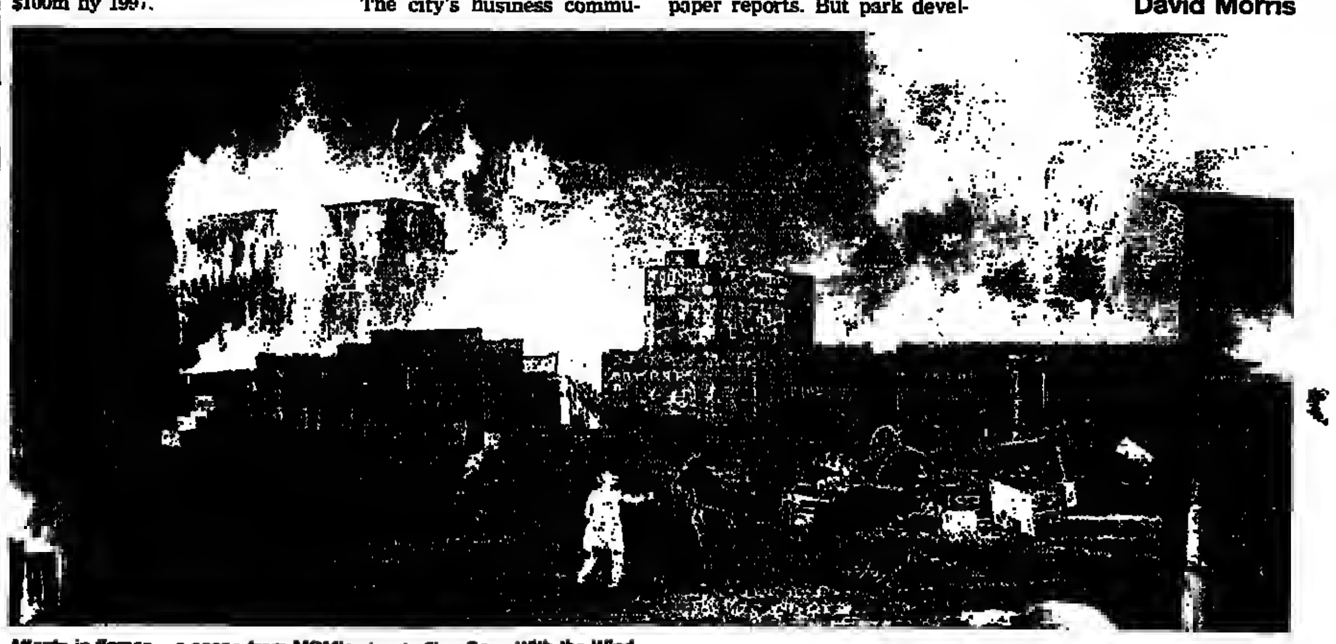
And Mr Driscoll hopes Gone With the Wind Country will be able to capitalise on the allure of a state that is already second in the South in terms of tourism, (behind Florida) and fourth in the country in cooveotion attendance.

Mr Driscoll is a former employee of Landmark Eotertainment Group, which has designed and produced theme parks for MCA/Universal Studios, Busch Entertainment, Caesars Palace and Six Flags. He formed Georgia Holdings with Gary Goddard, Landmark's chief executive, and hegan searching the Atlanta metro area for a home for Tara in 1992. Turner Home Eotertainment, which owns rights to the film, has licensed Mr Driscoll to develop a park using *Gone With the Wind* as a theme.

It is a theme that vividly defines the American South in the minds of many people across the world, including many Southerners. But privately, some local residents of Villa Rica worry that the park's portrayal of an era rooted in slavery might lead to racial tensions.

For his part, Mr Driscoll has promised to feature the cootrihutions of African Americans to Southern culture through such facilities as music (the hlues) and food, (barbecues).

David Morris



Atlanta in flames – a scene from MGM's classic film, Gone With the Wind — Kobal Collection

It all began in Atlanta – **Richard Tomkins** looks at the remarkable story behind the world's best-known trade mark

Soft drinks company is at the forefront of Atlanta community projects

The home of Coca-Cola

Coca-Cola may not be the biggest company in Atlanta: in terms of sheer head-count, Delta, AT&T, BellSouth and Lockheed employ more people. But it is the company most commonly associated with the city, and without doubt the one with the strongest historical links to it.

Indeed, the company's best-selling product, the Coca-Cola soft drink, was born in Atlanta more than a century ago. According to legend, the first Coca-Cola syrup was brewed up in the city on May 8, 1886 by Dr John Pemberton, a local pharmacist, in a three-legged brass pot in his backyard. Dr Smith carried a jug of the product down the road to Jacobs' Pharmacy where it was tasted, pronounced good, and placed on sale as a soda fountain drink at 5 cents a glass.

Coke has come on a bit since then: today, it is the world's most ubiquitous consumer product, the world's best-known trade mark and by far the world's best-selling soft drink. If you include the company's other products – notably, Fanta and Sprite – Coca-Cola accounts for nearly half the world's annual consumption of soft drinks.

How did Coca-Cola do it? It helped that people *liked* the *drink (ingredients of the early* version included coca leaves and cola nuts, producing an exhilarating cocktail of cocaine and caffeine). But there was more to it than that.

Much of the company's early growth was attributable to the business acumen of Asa Candler, an Atlantan who bought the business from Dr Pemberton and greatly expanded it through innovative advertising. Then, in 1919, the Candler family interests sold the company to a syndicate led by Ernest Woodruff, another Atlantan, for $25m – at the time, the biggest financial transaction the south had seen.

Before long, however, the company was in trouble. There were legal disputes with bottlers, sugar prices were turbulent, imitators were rampant and sales were down. There was even talk that the company could go under. But in 1923, Ernest's son, Robert Woodruff, was elected president. This highly successful businessman was to lead the company for the next six decades. One of Robert Woodruff's most astute moves was to embark on a big international expansion for Coca-Cola. To a large degree, the foundations for this expansion were laid during the Second World War when Woodruff declared it his objective "to see that every man in uniform gets a bottle of Coca-Cola for 5 cents wherever he is and whatever it costs the company."

Where it all began at five cents a glass: Jacobs' Pharmacy in 1886

The result was that 64 bottling plants were shipped abroad and billions of bottles of Coke were consumed.

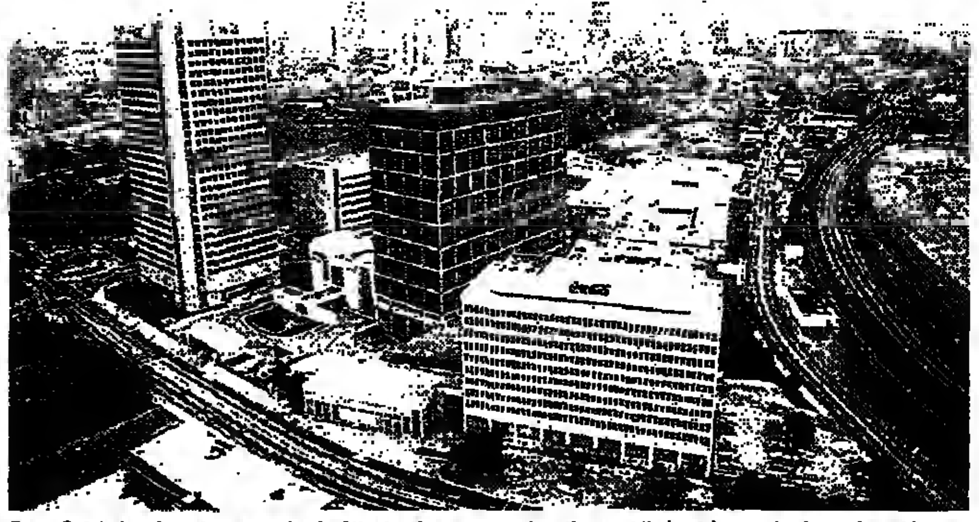
The reason this proved so important was that the presence of Coca-Cola did more than lift the morale of the troops. In many areas, it gave people their first taste of Coca-Cola – a taste they obviously enjoyed. And when peece returned, the Coca-Cola system was poised for the rapid international growth that continues today.

This explains one of the big differences between Coca-Cola and its rival PepsiCo, the US manufacturer of Pepsi-Cola. In the US, Coke struggles to outsell Pepsi. But in the rest of the world, the only big markets which Pepsi has been able to dominate are those from which Coke was at one time excluded for political reasons, such as the former Soviet Union and the Middle East.

The result is that Coke now gets about 80 per cent of its operating profits from outside the US, while the figure for *PepsiCo's beverage division* is barely 16 per cent.

Although Coca-Cola is easily the world's biggest soft drinks company, and growing bigger by the day, it cannot afford to relax. Recently, competition from private label colas has been an irritant in the US, Canade and the UK, and in the US Coca-Cola is having to react to the rapid growth of alternative beverages such as iced teas and fruit juice drinks, introducing its own range of "natural" drinks. But the company's strong profits growth suggests it is doing the right things: last year, net income rose by 19 per cent to a record $2.2bn, excluding unusual items.

For Atlanta, it is just as well. Apart from the fact that Coca-Cola and its bottling affiliates provide employment for nearly 8,000 people in the city, the company has a reputation for being Atlanta's leading corporate citizen, pursuing a long-standing strategy of philanthropic involvement in the community.



Coca-Cola's headquarters complex in Atlanta: the company has the world's best-known trade mark and is easily the biggest international soft drinks company – and growing bigger by the day

This philanthropic involvement began with Robert Woodruff, whose contributions to Atlanta's arts, to cultural organisations and to educational communities amounted to hundreds of millions of dollars over his lifetime.

The tradition has been continued by the company itself – not least through the creation in 1984 of the Coca-Cola Foundation, an organisation dedicated to supporting excellence in education.

Examples of the foundation's work in Atlanta over the last year or so include a $2m contribution to Clark Atlanta University to support teacher education and to develop a School of Public and International Affairs; a contribution of $1m to Morris Brown College to support faculty chair endowments and the Presidential Scolars Program for African-American students; and a $1m gift to Georgia State University for the renovation of the Rialto Theatre and two nearby buildings to help revive the historic Fairlie-Poplar district.

In the arts field, Coca-Cola makes contributions totalling more than $1m a year to about 40 organisations. It recently pledged $500,000 to the Martin Luther King Jr Center which aims to advance the non-violent philosophies fo Dr King in the ares of training, research and education. And it made a $1m commitment to the Atlanta Project, an initiative established by the former president Jimmy Carter to fight poverty and hopelessness in the inner city.

Atlanta's business leaders are unstinting in their praise of Coca-Cola's contribution to the city – "if every company were as community-minded as Coca-Cola, we would have a Utopian city here," says Mr Gerald Bartels, president of the Atlanta Chamber of Commerce. "They are always in the forefront of any community project with their money, with their leadership, with whatever it might take."

Decade of growth for Atlanta-based BellSouth

Largest of the Baby Bells

When American Telephone and Telegraph (AT&T) was broken up in 1984 and its local phone companias divided into regional operating companies, tha Atlanta-based BellSouth was the largest, and fastest-growing, of the seven "Baby Bells."

Today, with annual revenues of more than $16bn and assets of $40bn, it remains the largest and fastest-growing Baby Bell, an indication that BellSouth has not wasted the opportunity during its first decade to build on the strengths evident at the company's birth.

Chief among those strengths was the potential of its local market. BellSouth has had the good fortune to serve nine states based in the country's fastest-growing region, the southeast. While much of the rest of the US endured a recession in 1990-1991, and a subsequent slow and uneven recovery, the southeast sailed through the stormy waters of the period relatively unscathed and today continues to lead the nation in the pace of its economic expansion.

Buoyed by an influx of both residential and business customers moving into the region from other parts of the US, growth in Bell South's access lines – the typical measure of a phone company's growth – has been the best in the industry. The company added 665,000 access lines in 1993, a rate it expects to top this year.

"The population migration into the southeast has been pretty steady for last couple of decades, and we get a direct benefit from that because people want communications," says Mr John Clendenin, chairman and chief executive of BellSouth since its inception.

The company has spent a lot of money over the years on its phone system in the region, an investment in technology which Mr Clendenin regards as crucial if BellSouth is going to maintain its growth rate.

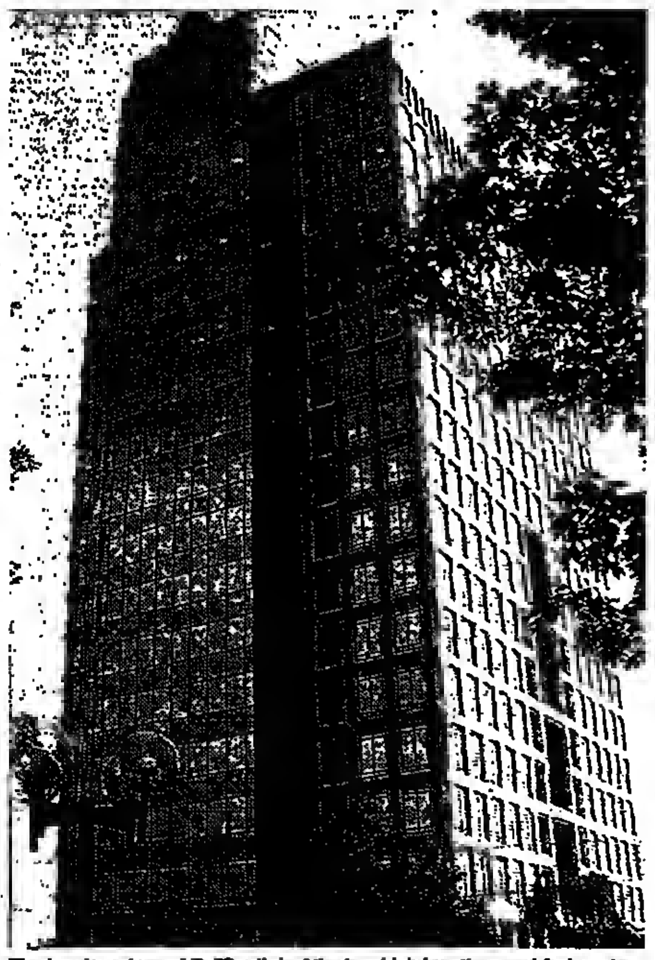
Between 1988 and the end of 1993, the company spent a total of $18bn on modernising its phone syatam. This year, another $3bn is scheduled to be spent on upgrading the system's technology.

Heavy expenditure on technology is just one element of a three-part strategy BellSouth is pursuing – the others involve an aggressive move into the wireless cellular phone, paging and mobile data businesses (especially overseas, where the company is now the world's largest cellular operator), and a more cautious foray into the cable television market, where the company hopes to benefit from the much talked-about convergence of the telecommunications, computer and entertainment industries.

Of BellSouth's careful entry into the cable television business, Mr Clendenin says: "We're a very active participant in the explorations going on. All of the Baby Bells are getting their feet wet in this. Wa have not gone into cable overseas the way some have, but we are trying to learn the same lessons."

Its first lesson will come from a planned deployment of video technology to 12,000 homes in the Atlanta suburbs. BellSouth's chairman describes the experiment – which the company hopes will be approved by federal regulators later this year – as "a fully interactive, fibre-optic system carrying communications and video programming into the home."

Prime Management, the 24th largest cable operator in the US which has been 22.5 per cent-owned by BellSouth since last year, is a key partner in the Atlanta test operation, which Mr Clendenin hopes will reveal the technology's potential – "we'll learn a lot about what the customer wants, what they'll pay for, how they'll use it: it will become a platform for wider deployment."



The headquarters of BellSouth in Atlanta which has the good fortune to serve nine states based in the country's fastest-growing region

The partnership with Prime is typical of the BellSouth policy of seeking partners whenever it explores new markets. This strategy is readily apparent in many of the company's wireless businesses – such as its co-operative ventures with Intel, RAM Mobile Data and Ericsson GE to market mobile computing and cellular-paging products – but it *is* probably nowhere more evident than in its fast-growing overseas businesses.

Outside the US, BellSouth has concentrated its energies in developing a significant presence in an eclectic mix of national cellular markets. While the company will be the fourth largest cellular operator in the US when the Bell Atlantic-Nynex union is completed, it is the largest global cellular operator based in the US.

BellSouth has been pursuing its aggressive international strategy since the mid- to late-1980s, starting in Latin America and later France, Germany and other parts of Europe. The company is also moving into the near east (Israel), and the Far East – most notably China – and has long had a sizeable stake in Australia and New Zealand. In most instances, BellSouth shies away from wired telecommunications systems because it believes the cellular business offers a much more secure foothold in foreign markets. As Mr Clendenin says: "Cellular in many of these countries has been a godsend. The telephone system in Caracas [Venezual] was so bad that you couldn't get a call through even if you were the president. Cellular came in and bypassed the local system, and performed marvelously as a substitute for local phone service."

BellSouth's most exciting overseas adventure is arguably in Australia, where it supplements its cellular business with its partially-owned subsidiary Optus Communications, the country's second largest long-distance and business network service operator. The company is also moving into the currently undeveloped Australian cable television market with its usual team of local partners.

In some ways, BellSouth appears to be using Australia as a telecommunications laboratory. As Mr Charles Coe, president of BellSouth International, says of the company's business there: "It will define the full potential of the relationship between telephone and cable TV operators." He has such high hopes of the Australia operations that Mr Coe expects revenues from the country to reach $1bn by 1996.

Expansion overseas, big spending on technology at home, and new investments in the cable business – none of this comes cheaply, and like most Baby Bells, BellSouth has been working hard to contain its escalating costs.

The company, in fact, has been paring its payrolls since 1987, and last year that process culminated in the announcement of a plan to reduce the total workforce of about 80,000 by 10,200 before the end of 1996.

The cuts in the plan, which should realise annual savings of $600m, come on top of previous workforce reductions totalling 6,500 jobs. To pay for some of these moves, the company took a restructuring charge of $1.1bn last year.

BellSouth, however, faces a tough task subduing cost growth because its core business – providing phone services in the south-east – is expanding so fast.

"We have an unusual problem – a big growth rate ... which has complicated the downsizing [process]," says Mr Clendenin. "We have to downsize with a scalpel – we can't not be there to provide service when you move into your home in Tuscaloosa."

Mr Clendenin, however, says that the company's target of reducing the workforce by 10,200 within the next two years could increase if circumstances dictate.

How this will affect the Atlanta-area – where 16,000 BellSouth employees work – is uncertain, because BellSouth has not provided a breakdown of where the cuts will be made. The company, however, is happy to point out that its business contributes an estimated $2.5bn a year to the city's economy.

Patrick Harverson

MINORITY-OWNED BUSINESSES

Catalyst for economic growth in black areas

Public contracts are vital to the success of minority-owned businesses, reports **David Morris**, but local competition remains intense

Over the past decade, the C D Moody construction company has worked on some of Atlanta's biggest building projects: Underground Atlanta, a large shopping mall and tourist attraction in the city centre, the Georgia Dome, site of the 1994 Super Bowl, and the new atrium at the ever-expanding Hartsfield International Airport. Not bad for a seven-year-old, black-owned company with only 47 employees on tha payroll.

David Moody, the architect who incorporated the firm in 1988, believes Atlanta's progressive public policy has helped him to succeed.

"The city of Atlanta's minority participation program was a great help," says Mr Moody, whose company will generate $8m in revenues this year. "They are serious about it ... Because of it, I've been able to get my foot in the door."

Mr Moody's experience supports the argument of many economists that Atlanta is among the best places for African American entrepreneurs to do business.

But whether or not Atlanta is an oasis of black entrepreneurship depends to some extent on who one asks. Some Atlantans say the notion of the city as a 'Mecca' for black entrepreneurs is a myth and point to statistics that show Atlanta lagging behind other metropolitan areas in minority business success.

According to a recent study by researchers at Clark Atlanta University, Atlanta barely makes the top-10 list of leading metropolitan areas in terms of black business growth.

Washington D C, Houston and Sacramento beat the city in terms of black businesses per 100,000 African Americans. And black-owned companies produce only 1 per cent of the Atlanta metro area jobs and less than 3.2 per cent of its business receipts.

Bob Holmes, a state legislator from Atlanta and co-author of the study The Status of Black Atlanta, says the idea of Atlanta as a benign incubator of black businesses is "over hyped" – the product of an effective but misleading public relations effort on the city's part. Most black-owned businesses in the city are marginal, he says, and points out that the African American share of total business receipts has fallen since 1977.

Moreover, Atlanta's black entrepreneurs face the same obstacles as black entrepreneurs anywhere. Most business growth is in the suburbs, away from black population centres, and discrimination means black businesses have more trouble securing loans and doing business within the private sector.

According to the study, discrimination against black-owned businesses comes in many forms, showing up in "bonding, price differential ... refusal to use [minority] subcontractors, bid manipulation ... double standards in performance and qualification ... slow payment and non-payment" and "exclusion from the 'Good Old Boy Network' in subcontracting."

The report acknowledges, however, that great gains have been made in opening up the public sector to minority-owned businesses, and many *black* firms are thriving in the rich Atlanta market.

Mr Moody's ability to build his business on lucrative government contracts is evidence of this, as is a study by Georgia Tech economist Thomas Boston now under way. Mr Boston argues that Atlanta, while not a Mecca, is a thriving centre of black industry and commerce.

"There is probably not another metro area in the country with as many programs for minority entrepreneurs," says Mr Boston, who cites contracting policies that require a minimum percentage of government business to be set aside for minorities.

Set-asides are mandatory for the city of Atlanta and Fulton County (in which the city is located), the Atlanta transit authority, and the Atlanta school board. Voluntary programs are in place at the Atlanta hospital authority and in neighbouring DeKalb County.

But black contractors still find it hard to break into the private sector. According to the Clark Atlanta study, Atlanta's minority contractors get 93 per cent of their revenues from the public sector and only 7 per cent from private markets. In contrast, white contractors generate 80 per cent of their sales from the private sector.

Mr Boston maintains that public contracts are a vital engine for growth among minority-owned businesses. "These programmes allow market penetration by minorities ... in areas that were heretofore closed to them," he says. This, he adds, enables minority businesses to build strong revenue bases from which to launch ventures into the private sector.

Meanwhile, Mr Boston argues, the atmosphere for black business in Atlanta is far better than the Clark Atlanta study suggests. First, he says, according to his own research, arbitrary census criteria for black-owned businesses have left nearly three black-owned firms not counted as such for every one that is recorded. Thus, he says, "the capacity of black-owned firms is greater than is commonly perceived."

In terms of average revenue, the rate of revenue growth and the start-up rate, Atlanta ranks first among leading metropolitan areas.

Most agree that there is a trend toward greater business growth in the suburbs at the expense of the city centre, where Atlanta's black population is largely concentrated. That business growth includes high-revenue black-owned businesses, the presence of which in the suburbs parallels a movement by more-affluent blacks away from the city centre. But regardless of where they are located, black-owned businesses are a catalyst for economic growth in the black community, no matter how dispersed that community is becoming.

"Black-owned businesses on average have 85 per cent black employees," Mr Boston says. Atlanta's black entrepreneurs, like minority business people across the country, face significant problems in the area of financing and credit, he adds. The amount of start-up and improvement capital available to black businesses is limited, according to the Atlanta Economic Development Commission.

In this sense, the city is a victim of its own *success:* the sheer number of businesses competing for loans often makes it difficult to secure financing. That, according to Mr Moody, should not be a deterrent to ambitious black entrepreneurs. If he had to start all over again in business, he says, he would do it in Atlanta.

"Construction is a tough business, and minority contractors have to prove themselves constantly. But as far as the public market is concerned, we're on an equal playing field now."

Ambitious goals include conflict resolution in the world's trouble spots

Spotlight on the Carter Centre

The Carter Centre sits atop a hill overlooking downtown Atlanta, and the objectives of the institution set up by former president Jimmy Carter match its lofty location.

The centre, backed by millions of dollars in funds from individual donors, corporations and private foundations, is dedicated to "fighting disease, hunger, poverty, conflict and oppression through collaborative initiatives in the areas of democratisation and development, global health and urban revitalisation."

Although it has been pursuing these ambitious goals since 1982 when it was established alongside the Carter presidential library and museum, its work did not begin to attract much attention until more recently, when Mr Carter's high-profile role as a freelance foreign policy trouble-shooter focused the spotlight on the ex-president and the Carter Centre.

So active has Mr Carter been in tackling political problems around the world from his base in Atlanta that some foreign policy pundits have dubbed the Carter Centre the "State Department of the South." The nickname, however, is not likely to be popular at the centre, which goes out of its way to emphasise thet it has no ties with the federal government.

Its non-governmental, non-partisan status, in fact, is the institution's greatest asset when it comes to meeting its most challenging objective – conflict resolution.

Its independence from official political and diplomatic structures enables the centre to become involved in disputes without taking sides, and it allows the staff and Mr Carter to negotiate with political and military leaders who may be *persona non grata* in Washington and other capitals. As Mr Carter explained to an eudience at his Centre last month: "I deal with the people the United States considers unsavoury."

Aside from Mr Carter's role last month in helping to facilitate the peaceful removal of the military government in Haiti and his efforts earlier in the year helping to cool tensions between North and South Korea, he and the Centre have been involved in less-publicised work in strife-torn countries such as Ethiopia, Liberia and Sudan. Mr Carter also keeps a line open to Fidel Castro, Cuba's isolated leader.

Back from Haiti: Carter speaking at a White House news conference

The centre'e international role does not stop at conflict resolution, however. Its also helps countries hold elections, draft new constitutions and manage the transition to democracy. Additionally, the centre and its staff run programmes in the developing world aimed at improving agriculture and food production, disease prevention and the quality of health care.

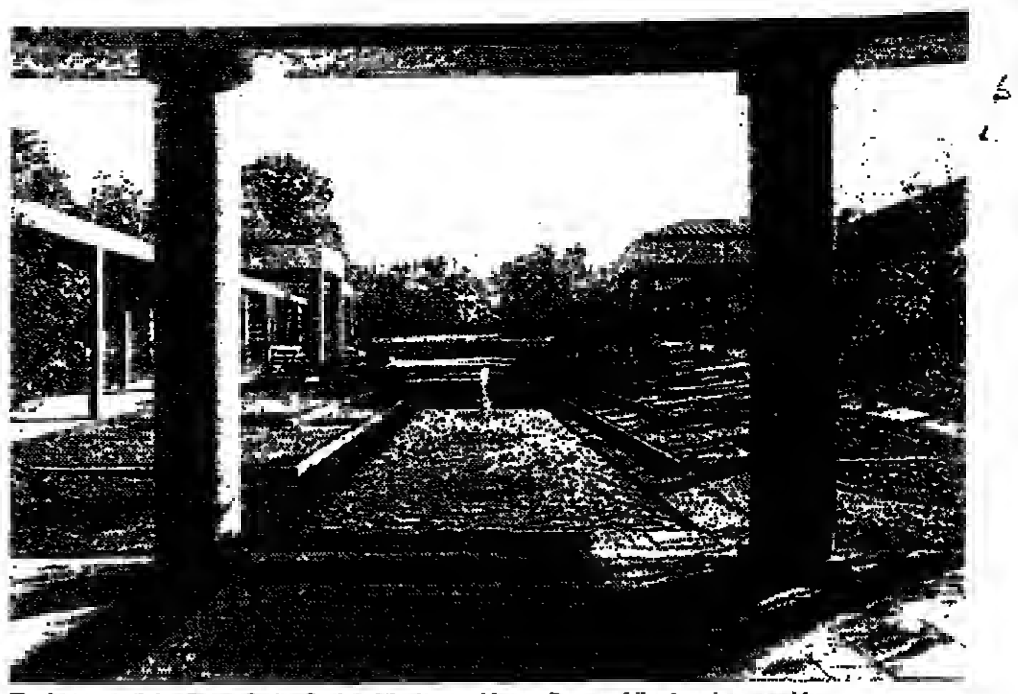
While much of this work is conducted eway from the public eye, the diplomatic initiatives, particularly those embarked upon by Mr Carter personally, have often come under intense scrutiny. The response to these efforts has not always been favourable. In the past, Mr Carter has been criticised for interfering with US foreign policy, and sometimes for undermining or contradicting that policy.

The former president's reknowned ability to see something positive in almost everyone he meets has also left him vulnerable to attacks that he coddles dictators and terrorists. As one State Department official put it recently: "Some tyrant will say, 'I don't have to listen to the American government representative, because I can always call Atlanta and get a better deal.'"

It was recently discovered, for example, that Mr Carter tried in 1991 to persuade foreign leaders to not back President Bush's coalition to liberate Kuwait from Iraqi control because he believed be could act as a medistor between the US and Saddam Hussein.

Although they conform with the Carter Centre's broader mission to "wage peace" around the world, some of Mr Carter's forays into foreign policy situations are not necessarily part of the Centre's official work – much of which is conducted in less glamorous arenas, both abroad and at home.

On the domestic front, the centre and its staff devote e lot of energy on improving conditions in the nation's inner cities. The Atlanta Project (known as TAP) is probably the centre's best known domestic programme. Launched in October, 1991, TAP helps communities in Atlanta's 20 poorest neighbourhoods tackle their problems, amoog them crime, homelessness, drug abuse, teenage pregnancy, unemployment, and poor health. That help involves providing each of the 20 Atlanta neighbourhood "clusters" with corporate sponsors (Coca-Cola, Bell South and Marriott are among the TAP supporters), recruiting a force of local volunteers to work in the communities, and enabling the clusters gain access to federal or state funds.



The Museum of the Jimmy Carter Centre, Atlanta, provides a glimpse of the American presidency

So far, TAP's work has ranged from somewhat vague initiatives such as a survey of residents's views on bow to tackle crime, to more tangible problem-solving efforts such as e massive child innoculation drive and a successful campaign to maka it easier for Atlanta families to the apply for public financial assistance.

TAP has its critics, including those who say its impact upon local communities' problems depends too much on the level of commitment from each cluster's corporate sponsor, and those who bave chided the project's director for being insensitive to Atlanta's black community ("sensitivity training" wes aubsequently arranged for TAP participants). There has also been some disillusionment over the lack of more noticeable progress in improving the life of the urban poor. These criticisma, however, have not prevented the Carter Centre from planning a national version of TAP, called The America Project.

Patrick Harverson

Aggressive expansion by CNN television network

A leader in global TV news

Along witb tbe movie *Gone with the Wind*, Martin Luther King and its baseball team the Braves, Atlante is probably best known throughout the US as home to CNN, the all-news cable television network which sprung to national – and international – prominence several years ago with its coverage of the Gulf War.

Yet, the benefits CNN bring to the city go beyond the kudos of national name-recognition. The network, which is part of the giant entertainment group Turner Broadcasting System owned by Mr Ted Turner, is also a leading employer in the metropolitan area as well as a considerable tourist attraction. The CNN Centre in downtown Atlanta is visited daily by many hundreds, eager to see at first-hand the production of CNN'e television programming.

The network has come a long way from the early 1980s, when it was widely derided as "Chicken Noodle News." The brainchild of Mr Turner, who foresaw a demand for 24-hour television news long before anyone else, CNN is regarded as an important news source for a hardcore audience of US viewers, and as essential viewing in times of national and internetional crisis by many more.

However, CNN's ratings have never been that large – it typically attracts about 400,000 viewers in tbe US – and recently its ratings have begun to slide. In the first quarter of this year, CNN's ratings in the US were down 25 per cent on the same period of 1993, and in tbe first six months of this year lower ratings contributed to flat advertising revenues. Without continued growth in CNN International, tbe network's non-US operation, CNN would have reported a decline in revenues for the first balf of 1993.

Yet, some of the decline in ratings cannot be blamed on CNN itself – like any news service, it needs big news events to keep viewers tuned in, and during the first half of 1994 a lack of big news, combined with improving competition from local newscasts and specialist news magazines, took their toll. (Although the double-murder story involving sports star OJ Simpson was huge news in the US, CNN faced stiff competition from local news purveyors and specialist channels such as Court TV).

The recent weakness in domestic ratings, bowever, cannot obscure the fact that CNN remains a handsomely profitable business for its parent TBS. Last year, it generated an operating profit of $231m on revenues of almost $600m.

Moreover, CNN's ratings have always moved with the news cycle, and the third quarter of 1994 produced two big stories with a strong US and international dimension – the crisis in Haiti and the threat of another invasion of Kuwait by Iraq – could pay off in the form of higher viewership for the second half of this year.

Sporting a CNN teeshirt, this youngster is one of hundreds of daily visitors to the CNN Centre in Atlanta, eager to glimpse the production of TV programmes

Furthermore, the maturing of its domestic market need not be so worrying as long as CNN continues to build revenues from its international operation. After years of losing money, CNNI is now in profit and the fastest-growing arm of CNN. Its revenues last year totalled about $100m, and this year CCNI is expected to earn between $50m and $60m on revenues of $113m. That is a considerable improvement from four years ago, when CNNI lost a little over $3m on revenues of just $13.6m.

This growth has come from aggressive expansion into new markets in three main regions – Latin America, Europe, and Asia-Pacific. It has been accomplished mostly by adding new satellites that carry larger "footprints" which enable CNNI's programmes to be broadcast on a more powerful signal to homes in a much wider geographic aree. As a consequence, as of this summer, CNNI was transmitting to an estimated 80m television households in more than 210 countries via a network of 12 satellites.

To improve CNNI's news programming, CNN has built a new $11m production centre in Atlante to complement its existing European regional centre in London, and it will soon open a new Asian regional centre in Hong Kong. Each centre will produce e version of CNNI programming geered toward its region's viewers.

In South America, CNN has no English-language competition, but faces a threat from several Spanish-language networks run by Reuters, the Mexican television group Televisa, and the US network NBC.

CNNI competes indirectly with them through the four half-hour segments of Spanish-language news it broadcasts every day, but clearly could lose ground to the native-language news services because the number of fluent English-speakers in the region is so small.

In Europe, CNNI's largest market, the principal competition comes from Mr Rupert Murdoch's Sky News channel. Although Sky is very UK-oriented, Mr Peter Vesey, bead of CNNI, admits: "On some stories with a particular European interest, they can be very competitive with us in serving their UK-based audience."

Another competitor is Euronews, which was set up by a political mandate from the European Community and broadcasts news in five different languages – "it's a wonderful technical achievement," says Mr Vesey, "but it's not, from what I hear, a very watchable product." CNN could also face competition soon from the BBC, which has talked of moving into the European market on a subscription basis with e version of World Service TV.

CNN also competes indirectly with the BBC in the Asia-Pacific region, as it does with Star TV satellite system, which is the largest in Asia and which may eventually be part of a global sattelite news service alongside Mr Murdoch's Fox Television in the US and Sky News in Europe. Mr Vesey says of CNNI's global competition: "As you can see, the field is kind of crowded."

In future, however, CNNI may be competing more with native-language broadcasters, although here the network has tried to hedge its bets through its occasional Spanish-language broadcasts and e joint venture with German broadcasters in Germany called n-tv.

Mr Vesey says: "We will see more regional competition, but I don't think it will be English-language competition. If I was to spend a ton of money on bringing you Asia every day, I would probably choose to do it in Chinese, or maybe Japanese. That is one of the biggest dilemmas we have classically faced. English is the best language to be in – on a world-wide basis – but you're really limiting yourself in terms of a mass audience, and there's no way around that. The way to extend and expand beyond that is to go the n-tv route in Europe. If you're going to take it into the region and tell people about things that are most important to them, you've got to make the decision to do it in their language."

The CNNI chief, however, is confident that its bead start of 15-years experience in global news production should allow it to stay ahead of the international field.

Patrick Harverson

Georgia's State Capitol, one of two US capitols whose dome is sheeted in gold – brought from the Northeast Georgia mountains

Facts about the area

■ Area and population

Area, Metropolitan Atlanta, 5,147 sq. miles
City of Atlanta .... 131 sq. miles
Population, Metropolitan Atlanta ...... 2.9m.
City of Atlanta 394,017

■ About the city

□ Atlanta is the state capital of Georgia. Convention and trade shows bring $1bn annually to the city.
□ $1.5bn worth of Olympic preparations for 1996 are reported to be on schedule and on budget.
□ More than 18.5m tourists visit the area every year. Atlanta has more than 55,000 hotels rooms.
□ Atlanta is the birthplace of Dr Martin Luther King Jr. The city proclaims itself the cradle of the civil rights movement.
□ The Mayor of Atlanta, Mr Bill Campbell, was elected in November 1993. He took office in January this year.
□ Newspapers include:
The Atlanta Constitution, (morning daily).
The Atlanta Journal, (evening daily).

■ Useful contacts

Atlanta Chamber of Commerce, 235 International Boulevard, ... (404) 880-9000.
Atlanta Convention and Visitors Bureau, 235 Peachtree Street, NE . (404) 521-6600.
Georgia Council for International Visitors, 999 Peachtree St ....(404) 873-6170.
Thomas Cook Foreign Exchange, 245 Peachtree Center Avenue, Marquis One Tower, Gallery Level. ....(404) 681-9700.
Georgia Department of Industry, Trade and Tourism 656 3545
Multi-lingual visitor assistance 873 6170
Travelers' Aid 766 4511
History Center, details 238 0655
Lenox Square, welcome centre 266 1398
Underground Atlanta, welcome centre, see shopping details 577 2148
Peachtree Centre, welcome centre 521 6688

■ Getting about

Atlanta's Hartsfield International Airport is the second busiest airport in the world; the airport claims to have the largest passenger terminal in the world, handling 50m passengers a year, with an average of 1,500 flights a day. By air, 80 per cent of the US population can be reached from Atlanta. Hartsfield airport, telephone (404) 530-6830, is 13 miles – and 20 minutes' ride – from central Atlanta by taxi, (except during rush hours). The flat rate taxi fee to downtown hotels is $15 for one person, $16 for two people and $18 for three.
The Atlanta Airport Shuttle (404) 768-7600, costs $8 one way to downtown hotels and $12 one way to suburban areas such as *Lenox Square*.
The Marta (Metropolitan Atlanta Rapid Transit Authority) rail system takes 12 minutes and costs $1.25 one way to downtown locations.
Subway and bus schedules 848 4711
AAA Airport Shuttle 934 8003
Atlanta Airport Shuttle 524 3400
□ Main airlines include:
American 800 433 7300
America West 800 247 5692
British Airways 404 559 9641
Continental 800 525 0280
Delta 800 221 1212
JAL 800 525 3663
KLM 800 556 7777
Lufthansa 800 645 3880
Northwest 800 225 2525
Sabena 800 645 3790
Swissair 800 221 4750
TWA 800 221 2000
United 800 241 6522
USAir 800 428 4322

□ Car hire services include:
Avis ....(800) 331-1212
Budget ....(404) 530-3000
Dollar ....(404) 766-0244
Hertz ....(404) 237-2660
National ....(404) 530-2800

□ Taxi services: visitors can hail e cab quite easily in the central and Buckhead areas. The larger taxi companies include:
Checker Cab ....(404) 351-1111
London Taxi ....(404) 681-2280
Style Taxi ....(404) 455-8294
Yellow Cab ....(404) 521-0200

□ Rail: Atlante is served by Amtrak via Peachtree Street Station, 1688 Peachtree Street .... (800) 872-7245

■ Banking

Banks in Atlanta include:
Bank South, 260 Peachtree St ....(404) 681-9529.
NationsBank, 600 Peachtree St, NE .. (404) 581-2121.
Trust Company of Georgia, 25 Park Place, NE ....(404) 588-7711.
Wachovia Bank, 2 Peachtree St ....(404) 332-5000.

■ Hotels

Larger hotels include:
Omni at CNN Center, Marietta St and Techwood Drive .... (404) 659-0000, fax (404) 659-1621.
Ritz-Carlton, central area, 181 Peachtree St, NE .... (404) 659-0400, fax (404) 688-0400.
Westin Peachtree Plaza, 210 Peachtree St .... (404) 659-1400, fax (404) 589-7586.
Hilton & Towers, 255 Courtland St, NE ..... (404) 659-2000, fax (404) 222-2868.
Hyatt Regency downtown, 265 Peachtree St, NE .... (404) 577-1234, fax (404) 588-4137.
Ritz-Carlton Buckhead, 3434 Peachtree Rd, NW .... (404) 237-2700, fax (404) 239-0078.

■ Eating out

A selection of international restaurants includes:
Bones restaurant, specialising in prime rib and seafood, 3130 Piedmont Rd, Buckhead ....(404) 237-2663.
La Grotta, (Italian food), 2637 Peachtree Road, NE .... (404) 231-1368.
Nikolai's Roof (Russian food), Courtland & Harris, NE .... (404) 659-2000.
The Country Place (continental). Colony Square, 1197 Peachtree St .... (404) 881-0144.
The Dining Room (American), 3434 Peachtree Rd .... (404) 237-2700.
Hedgerose Heights Inn, (continental), 490 East Paces Ferry Rd .... (404) 233-7673.
Savannah Fish Company, Peachtree Street & International Boulevard ....(404) 589-7456.
The Restaurant, (French), 181 Peachtree Street ....(404) 659-0400.
Kamogawa (Japanese), 3300 Peachtree Rd .... (404) 841-0314.
McKinnon's Louisiana (Creole, Cajun), 3209 Maple Drive .... (404)237-1313.

■ Shopping

Atlanta's shopping centres are usually open Monday to Saturday from 10 am until 6 pm; and Sunday noon until 5 pm. Many stay open until 9 or 9:30 pm on weeknights.
Underground Atlanta, at Martin Luther King Jr Drive and Peachtree Street is a downtown complex featuring specialty boutiques, department stores and marchandise kiosks, as well as restaurants and nightclubs. The shops are open weekdays until 9 pm and Saturday and Sunday until 10 pm, while restaurants and nightspots stay open much later. Other shopping centers include Phipps Plaza, Lenox Square, The Galleria, and Peachtree Center, see telephone numbers above.

■ Leisure

Tourist events, details 800 283 6699
The Robert W. Woodfruff Arts Center houses the Atlanta Symphony Orchestra, (404) 892-3600; and The Allianca Theatre, (404) 892-2414.
The Fox Theatre offere touring Broadway shows .... (404) 249-6400.
Atlanta Ballet performs at various venues . (404) 892-3303.
Omni Coliseum, 100 Techwood Drive, NW, (404) 249-6400 is home to the Atlanta Hawks basketball team. The Atlanta Falcons football team pleys at the Georgia Dome .... (404) 223-8000.
□ Museums include:
High Museum of Art, 1280 Peachtree Street, NE, ... (404) 892-3600.
Museum of Atlanta History, located in the Atlanta History Center, 3101 Andrews Driva .... (404) 814-4000.
Apex Museum of African Amarican History, 135 Auburn Avenue, NE .. ... (404) 521-2739.
SciTrek, The Science and Technology Museum, 395 Piedmont Avenue .... (404) 522-5500.
□ Also of interest:
World of Coca-Cola Pevilion, 55 Martin Luther King Jr Drive at Central Ave ... (404) 676-6074.
King Center, 449 Auburn Ave .... (404) 524-1956.
CNN Center, daily tours of the broadcast headquarters .... (404) 827-2300.
Atlanta Botanical Garden, 1345 Piedmont Avenue, NE .... (404) 876-5858.

■ Climate

The regional climate varies from mild winters with temperatures ranging from zero to 15 degrees Centigrade, to hot and steamy summers with temperatures ranging from 17 to 31 degrees. Fortunately, spring and autumn are long and pleasant.

Sources: Rivka Nachoma with additional data by Barbara Harrison.

هكذا من الأصل

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday November 1 1994

IN BRIEF

UBS to fall short of 1993 record

Union Bank of Switzerland has said its 1994 net income will be lower than the record SFr2.27bn ($1.8bn) it made last year. Page 22

Setbacks for Accor
The past two months have brought a series of setbacks to Accor which the hotel group's founders and co-chairmen would probably prefer to forget. Page 22

Time Warner appoints deputy
Time Warner, the world's largest entertainment group, has appointed a banker to its number two spot. Page 24

American Barrick rises 5%
American Barrick, the Toronto-based gold producer, lifted third-quarter earnings 5 per cent, largely after higher output at the flagship Goldstrike mine in Nevada, and a contribution from recently-acquired Lac Minerals. Page 25

Soap war starts afresh
Procter & Gamble continues the Great European Soap War with the launch of Ariel Futur, to attack Unilever's Persil and Omo Power detergents. Page 25

Japan paper companies lift earnings
Japan's leading paper companies continued to suffer from cuts in paper prices because of stagnant demand, but restructuring and cost cutting at the top two companies lifted earnings on the current level. Page 26

Broken Hill cuts Woodside ties
Broken Hill Proprietary, Australia's largest company, has cut its ties to Woodside Petroleum, the energy group which is the main participant in the North West Shelf gas project. Page 26

New view on China
Dr Edgar Cheng Wai-kin, who yesterday was elected chairman of the Hong Kong Stock Exchange, is more interested in strengthening the quality of Chinese companies listed in the territory than increasing their numbers. Page 26

All-change for Indian GDR issues
The Indian government's announcement at the weekend that it was changing the rules for companies issuing international equity may mean the market for global depositary receipts issued by Indian companies is about to enter a new phase. Page 28

GrandMet to tap US for $500m
Grand Metropolitan, the food and drinks group, is to raise $500m in the US through an issue of perpetual fixed rate preferred securities, a financial instrument similar to preferred stock. Page 30

Biotechnology groups undergo check-ups
The UK biotechnology industry looks wobbly. With losses mounting and products years away from the market, companies seeking cures for the sick are under pressure to prova their own health. At least for British Biotech, the first clinical trials of its new cancer treatment have showed that the drug has no significant side effects and triggers a potentially useful reaction in volunteers. Page 31

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Asko Prf	735	+	15
BMW	775	+	15
Daimler Benz	773	+	17
Mitgelsch	157.2	+	6.2
Falls			
Hochtief	922	−	18
Ind Werke	337	−	10
NEW YORK ($)			
Rises			
Brunswick	300	+	1½
Merck	17½	+	3¼
Pfizer	74⅜	+	1¼
Falls			
Borden	13⅞	−	¼
Philip Morris	61⅛	−	2⅛
RJ Nabisco	6⅝	+	¼
TOKYO (Yen)			
Rises			
Canon Sales	3270	+	190
Hasebo	628	+	19
Nip Soda	530	+	22
Nissan Dai	565	+	36
Yokohama Bk	880	+	45
Falls			
Nikon Corp	988	−	22

Paris closed. New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Asko Pet	65	+	5
Bluebird Toys	285	+	8
Brit Biotech	596	+	18
Clearvision	14½	+	1¾
Cotels Int	72	+	4
Eastern Group	796	+	30
Inspiration	127	+	8
Intexpare	50	+	5
Intl Comm Data	12½	+	2
M & G Group	980	+	27
Northumbrn Fds	13	+	2½
Protean Int	273	+	38
Ranger Oil	405	+	15
Sidlaw	206	+	9
Southern Elect	800	+	28
Southnews	236	+	11
T & N	216	+	8
Tottenham Hspr	124	+	6
Falls			
Campbell Armstr	38	−	4
Daily Mail A	883	−	38
GBE Int	33	−	5
Hewitt Group	88	−	37
Pascoe's	30	−	3
Toye	115	−	5

Baby Bells in cable TV venture

By Tony Jackson in New York

The convergence of telecommunications and cable TV took a further step in the US yesterday with the formation of a joint venture between three regional Baby Bell telephone companies and a leading programming agency. Bell Atlantic, Nynex and Pacific Telesis said they were each investing $100m over the next three years in a venture including Mr Michael Ovitz's Creative Artists Agency.

The partners, who claim to reach 30m homes in the US, said they would establish two new companies, one handling programming and the other technology. The first, provisionally known as the media company, will begin by buying programmes to feed through the partners' cabla network, then develop its own programmes. It will also produce video on demand, and finally interactive programmes sucb as bome sbopping and games.

The technology company will develop systems and standards for the new venture. It will receive existing technical assets from the three partners, such as Bell Atlantic's digital imaging laboratory in Reston, Virginia. Such assets will form part of the $100m contribution from each Baby Bell partner.

Under US legislation, there are restrictions on local telephone companies entering the cable market and vice versa. However, several states have recently relaxed these regulations. The partners denied yesterday that the venture faced any regulatory problems.

Bell Atlantic and Nynex cover the north eastern seaboard of the US, while Pacific Telesis is based in California. The media company will be based in Los Angeles and New York, while the technology company will operate from San Francisco and Reston, Virginia. The partners denied that there was any intention to move towards a full merger. However, Bell Atlantic and Nynex already have close ties in mobile telephony, and 10 days ago formed a partnership to bid for new personal communication service (PCS) licences along with two other regional companies.

Mr Ovitz said "this is a tremendous new opportunity for the creative community. As the partnering companies make the merger of technology, information and entertainment a reality, our challenge is to help stimulate the creation and marketing of programming that will engage the consumer."

The partners said commercial trials for video on demand would begin in early 1995. Eventually, they said, the venture would offer advanced interactive services such as on-line games for numerous players, personal news services and interactive advertising.

Hungarian sale stirs European banks

By Nicholas Denton in London

Three western European banks are considering bids for Hungary's Budapest Bank, one of the country's top four commercial banks, in a display of renewed enthusiasm for acquisitions in the former communist bloc.

Credit Suisse and ING Bank are understood to have emerged in the past few weeks as potential contenders for a substantial stake in what would be one of eastern Europe's biggest bank privatisations.

They join Crédit Agricole, the French co-operative bank, which has for several months sbown interest in taking a stake. It is the only main contender to have condncted a "dne diligence" investigation of the Hungarian target.

A stake in Bndapest Bank would provide Credit Suisse with a means of expansion to the east after the failure of its approach to Creditanstalt of Austria.

Hungary expects to name a preferred bidder or bidders on November 17, which gives Crédit Agricole a time advantage. To open up the race, the state bank and its advisers have granted the last-minnte bidders another fortnight to prepare proposals.

The successful industry investor is expected to pair up with the London-based European Bank for Reconstruction and Development. The most likely option is that together they would hold a majority.

Creditanstalt, one of Austria's leading banks, explored an offer for the bank bnt management divisions are understood to have inhibited an approach.

The sharpening rivalry for Budapest Bank marks a shift in western banks' strategies in eastern Europe.

State banks in the region have sbown a strong propensity to make bad loans and tbe preferred means of establishing a presence bas been to set np stand-alone branches.

But in two deals in tbe last 12 montbs ING Bank and Bayerische Landesbank took 25 per cent stakes in a Polish and a Hungarian bank respectively.

Budapest Bank has total assets of Ft156.6bn ($1.47bn), and a Hungarian official boped for a purchase price of up to $100m.

The Hnngarian government has spent over more than $3bn, or 9 per cent of GDP, bailing out technically insolvent state banks and the privatisation of Budapest Bank is the first fruit of the rescue programme.

Kenneth Gooding looks at the market's rows with Chilean and Chinese customers

Global problems follow LME to its new home

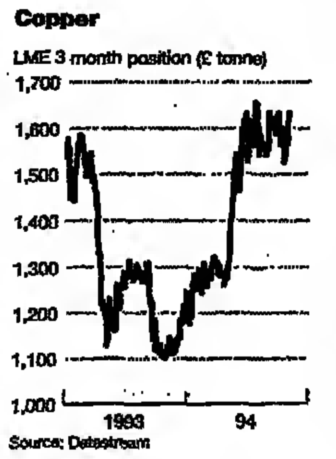
Two items of unfinisbed business failed to spoil the celebrations yesterday as the London Metal Exchange started business in its new home. The LME prides itself on being a truly global exchange and, as if to emphasise this point, it finds itself in conflict with customers as far away as Chile and China.

The difficulties go back to the turmoil in the LME's "flagship" copper contract last year. Prices slumped by one quarter in only five weeks, reaching in May their lowest level for five and a half years. Then cama a severe supply "squeeze" when, in spite of lack-lustre world economic conditions and LME copper stocks reaching a 15-year peak, the copper price rose strongly. The LME board issued two public warnings about the sqneeze and eventually took emergency action to unwind it.

This was a market only for brave and truly professional traders. It was a market of large profits and losses. Among the losers was Codelco (Corporation Nacional del Cobre de Chile), the state-owned Chilean group. Codelco says Mr Juan Pablo Davila, its chief futures trader, lost more than $200m. Mr Davila and his two immediate superiors were charged with deception and Mr Alejandro Noemi, Codelco's president, resigned. Codelco and the Chilean government are seeking to lay further blame – particularly in the London metal trading community.

Another loss-maker, Citic Shangbai, a subsidiary of China International Trust and Investment Corporation, owes about $40m to LME brokers wbo extended it credit and is claiming it cannot meet these debts in full.

The problems of both Codelco and Citic Shangbai can be traced to an esoteric LME trading practice known in the jargon as "carries at historical prices". In practice this means that, instead of paying up at the end of a contract, it is rolled forward again but at the original price rather than the price prevailing in the market. There are genuine reasons wby some customers want to make use of this system but traders suggest it can also be used to disguise, temporarily, loss-making positions.



Source: Datastream

LME brokers prefer not to give these "carries" because they tie up credit lines and take some financing. So the service is provided only to snbstantial customers with deep pockets. Both Codelco and Citic Shanghai come into this category because they are state-owned and traders assume that ultimately their governments stand behind them.

Codelco and the Chilean government have been excoriated by their domestic press and have been pressing for the maximum punishment for those they claim are responsible – without much luck so far. Mr Davila and his two superiors were released from prison in May when the Santiago Appeals Court drastically reduced the cbarges against them. No longer are they accused of defrauding the state (maximum sentence five years) but instead are charged with causing the company losses by deception (maximum sentence 541 days).

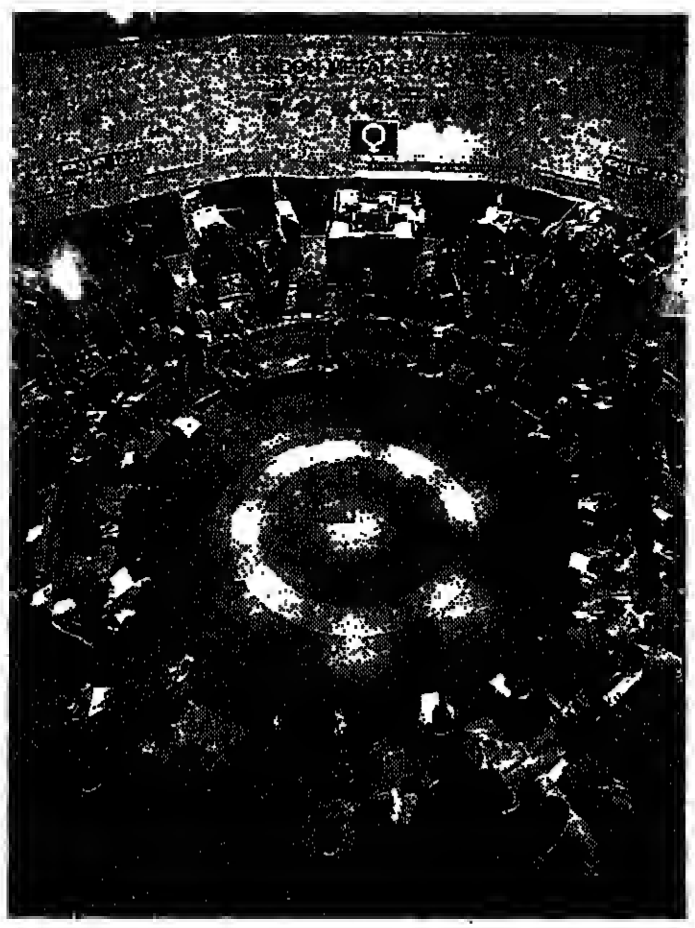
Meanwhile, Mr Juan Villarzu, Codelco's new president, says an investigation by accountants Ernst and Young showed "tbe existence of systematic deceit aimed at distorting the economic outcome of copper futures transactions, creating fictitious profits and postponing losses". But he stressed this did not necessarily mean that LME brokers had deliberately colluded with Mr Davila. The LME has agreed to investigate "unusual transactions" between Codelco and several brokers.

At the LME's annual dinner last month, Mr Villarzu made it clear that he feels there must bave been some collusion between his company's trader and some counter-parties in London. "Had you the opportunity to examine tbe trading contracts which Codelco entered into during 1993, you would bave been amazed at the number of transactions wbose prices had no direct relationship with tbe market prices ruling at the date and time of tbe transaction," be complained.

Mr Raj Bagri, LME chairman, promised that if any excbange member had transgressed, "we will not besitate to take tbe appropriate actioo". However, he echoed other traders' assertions that poor management controls were mainly responsible for Codelco's losses. Mr Bagri said tbe breakneck speed at whicb derivatives and futures trading had taken root and spread across tbe financial and commodity markets "has in many instances left managements far behind in having in place adequate, effective and timely supervisory measures to monitor and control risks". Nevertheless, tbe LME boped to implement by early next year measures "to limit any perceived dangers of historical price carries".

Opinion is split among LME members about whetber incidents such as these involving Citic and Codelco are damaging to the exchange's image. Yesterday's move to another premises in London's financial district was in part prompted by a fourfold increase in turnover in the past six years. So the LME – trading primary aluminium, aluminium alloy, lead, nickel, tin and zinc as well as copper – is now the second-largest futures exchange in the UK and the seventh largest in the world. It will trade futures and options valued at nearly $2,000bn this year.

Commodities, Page 32


Tony Andrews
Trading places: the London Metal Exchange's new home yesterday

Thomson to acquire Ziff information arm for $465m

By Louise Kehoe in San Francisco

Thomson Corporation, the travel and publishing group controlled by the Thomson family of Toronto, Canada, is to acquire a Ziff Communications subsidiary, Information Access Company, for $465m. The deal is the second step in Ziff'a plan to divest all its assets. Last week Ziff, a privately-held US publishing group, sold the biggest segment of its business, Ziff-Davis Publishing, to Forstmann Little, a New York investment group, for $1.4bn.

IAC, based in Foster City, California, is a leading provider of reference and database services to libraries and businesses. It offers business, lagal, bealthcara, humanities, computer and general interest information services in several electronic formats, including CD-ROM, on-line database access, and magnetic tape.

More than 20,000 US public and academic libraries, as well as 10,000 corporate libraries sobscribe to IAC services.

The acquisition is seen as a move by Thomson to expand its North American publishing activities, which are among the most profitable parts of its business.

Thomson was one of the losing bidders for another database company, the Lexis/Nexis electronic-publishing arm of Mead of the US which was bougbt for $1.5bn by Reed Elsevier, the Anglo-Dutch publishing group, earlier this month.

With 1993 sales of $5.9bn, Thomson is a leading publisher of specialised professional and business reference materials. The group also owns regional newspapers in North America and the UK including its flagship publication the Toronto Globe and Mail.

Thomson's Information/Publisbing Group accounted for $2.8bn in sales last year. In the UK, Thomson has extensive leisure travel operations, including its holiday tour business.

Mr W. Micbael Brown, Thomson president, said IAC made an "excellent fit" with Thomsoo's existing publishing operations.

The Ziff family put its businesses up for sale in June, hiring Lazard Frères, tbe investment banking group, to find buyers. It still has to sell its trade show business and the lotercbange Network unit, establisbed to support Ziff's plans for a computer on-line service geared to personal computer owners.

Heron rebels vow to fight on

By Christopher Price in London

Dissident bondholders opposed to the sale of Heron International, Mr Gerald Ronson's private UK property company, have vowed to fight on against the purchase plans by HNV Acquisition, the US investment group.

Following publication of the formal offer document, Mr Gary Klesch, managing director of Klesch & Co, which has been opposing the deal, said: "This is highly, highly, highly conditional. There's the litigations, the valuations and other things besides. Nothing we have seen has changed our minds over this deal."

HNV, led by US investor Mr Steven Green, made its initial offer several weeks ago, during which time the group and its advisers have been negotiating with some of Heron's 82 creditor banks in order to gain acceptance. The US group is offering £142m ($224m) in cash to tbe bank and bondholders wbo bold around £374m of debt.

Swiss Bank Corporation, HNV'a bankers, has already secured the agreement of around half of Heron's creditor bankers, whicb are owed some £200m. Their debts are secured on properties in the UK and Spain. The document shows the UK properties as having assets valued in excess of £200m. However, the Spanisb business bas only net assets of £400,000. Under the terms of the agreement, HNV will put up to £17m of capital into the Spanish operations.

The document also shows Mr Ronson's salary package for the year to Marcb 30 1994 at £1,049,000, down from £1,537,000 in 1993. Under last September's refinancing, Mr Ronson agreed a five-year £800,000 per annum salary package and the fall from the previons year reflects tbe lower renumeration. Mr Ronson will continue as chief executive under the HNV plan, a move whicb has caused some consternation, particularly among rebel bondholders. "I'm staggered by wbat they are continuing to pay that guy," said Mr Klesch.

Tbe offer docnment inclndes details of litigation in wbicb Heron is involved, inclnding an $88m lawsuit relating to the purchase of Pima, a US financial services group, and a $39m suit outstanding brongbt by another US group, Stratagem. Tbere are 16 ontstaoding litigation cases against Heron, or its directors.

Lex, Page 20; Background, Page 30

UBS 'unlikely' to match last year's record

By Ian Rodger in Zurich

Union Bank of Switzerland, which is in the midst of a proxy battle with its largest shareholder over its business strategy, has said its 1994 net income will be lower than the record SFr2.27bn ($1.8bn) it made last year.

"Last year's excellent result is unlikely to be reached," UBS, Switzerland's largest bank, said in a statement on third-quarter trading. Earlier, it had left open the possibility of matching the 1993 result.

The bank blamed unfavourable market conditions for a decline in third-quarter profits.

No figures were given, but it said both net interest income and trading income were down, although the trading result was "substantially higher" than in the previous quarter.

Fee and commission income were said to be "excellent", marking the only contrast with the third-quarter report of Credit Suisse which said last week its commissions business suffered a "slight downturn".

UBS said commissions from its corporate finance business were unsatisfactory.

Expenses were down noticeably. As in the case of Credit Suisse, had loan provisions were reduced but remained at a high level.

UBS has called an extraordinary general meeting of shareholders for November 22 to vote on its proposal to convert all registered shares into bearer shares. The par value on the registered is one-fifth that on the bearers, giving an investment in them much more voting power than the same stake in bearers.

The proposal is opposed by BK Vision, an investment fund which has a large bolding in the registered shares and is seeking to rally a majority of votes to make substantial board changes at the next annual meeting in April.

● Operating profit at Maculan, the Austrian construction group with large operations in eastern Germany, plunged in the first half by 42 per cent to Sch81.7m ($7.69m). It also forecast lower net income in the full year.

Turnover was up 14 per cent to Sch6.9bn, due to a 19 per cent increase in Germany, which accounted for just over half of group revenue.

The group said the decline in operating profit was partly due to delays in Russian housing projects for returning soldiers.

The extra costs in the Russian projects will be borne by the customer but this will be reflected only in next year's earnings after they are completed.

BNP in plan to shed Banque Nagelmackers

By Andrew Jack in Paris

Banque Nationale de Paris, one of France's leading banks and privatised last year, is selling Banque Nagelmackers 1747, Belgium's oldest bank.

The bank, in which BNP became the majority shareholder four years ago, is to be sold to P and V Assurances of Belgium. The sale will also apply to a related concern, Nagelmackers & Company.

BNP stressed that the sale conditions would guarantee the bank's development and the service to its clients, and that Nagelmackers would continue to market BNP products.

BNP bought the majority of the shares in Banque Nagelmackers in 1990, with the remaining stake held by the Nagelmackers family.

This August it acquired nearly all the remaining shares when Financière Lecocq, a co-shareholder with which it made the original takeover, exercised its option to sell.

BNP earlier this year denied suggestions it was planning to sell Banque Nagelmackers.

Accor pulls the shutters down

John Ridding and Michael Skapinker examine the group's position

Mr Gérard Pélisson and Mr Paul Dubrule bave seen many more ups than downs in the 27 years in which they have built Accor of France into one of the world's largest hotel and travel groups.

The past two months, bowever, have brought a series of setbacks which the group's founders and co-chairmen would probably prefer to forget.

In September, Accor was defeated by Forte of the UK in a fiercely contested battle to win control of Meridien Hotels, which had been put up for sale by Air France. A few weeks later, Mr Pélisson and Mr Dubrule became entangled in a wrangle with Suez, the financial and industrial group which is Accor's largest shareholder.

Last week, the group announced its first-ever loss, saying it had incurred a net half-year deficit of FFr264m ($51m), compared with a net profit of FFr109m for the same period in 1993.

The financial performance and signs of shareholder disaffection raised important question about the group's prospects and strategy. They even prompted some to consider whether France's flagship leisure company be taken over. Could a successful predator break up the group, finding buyers for some of its assets, which range from the Novotel hotel chain to the Europcar car rental business to luncheon vouchers?

Analysts were particularly intrigued by the apparent breach between Accor and normally loyal French institutional shareholders.

Last month, after protracted discussions, Accor said it had broken off negotiations aimed at increasing Suez's 12.4 per cent stake, held through its subsidiary Société Générale de Belgique. Accor cited "unreasonable" demands by Suez, which it claimed was seeking a significant management role and the right to select a successor when the co-chairmen stand down.

Messrs Dubrule and Pélisson have little time for speculation about instability on the shareholder register. "We have no fear of a takeover. SGB has said it would keep its holding and "we have faithful long term investors", said Mr Pélisson, citing Société Générale, the French bank, and Union des Assurances de Paris, the insurer. The Caisse des Depôts et Consignations, the French state financial institution, has also distanced itself from speculation that it might sell its 6.14 per cent stake in Accor. An additional reason for caution concerning the emergence of predators is that both the group and industry analysts think Accor's situation is better than might have been expected.

Accor itself is sanguine in the face of last week's loss and is upbeat about prospects for the rest of the year. The company points to improved operating results, arguing that 15 of its 18 principal profit centres were ahead at the nine-month stage compared with the same period in 1993. They explain that much of the reason for the loss at the net level in the first six months was the absence of exceptional gains from disposals. First-half profits of FFr109m in 1993 were achieved only after capital gains of more than FFr400m during the period.

This perspective is shared by many industry observers. "I was not surprised by the loss," says an analyst at one French merchant bank. He, like many industry observers, was also encouraged by the chairmen's optimism following the announcement of the results. Mr Pélisson said: "The bad news is the loss. The good news is that over the past several months we have seen a substantial improvement in the hotels business."

Nevertheless, there is still concern about the group's prospects and strategy. Most immediately, the company continues to struggle under a debt burden of about FFr22bn, about one and a half times shareholders' equity.

The rise of the debt reflects the aggressive expansive strategy pursued by the company, notably the acquisition of the Motel 6 chain in the US in 1990 and of Wagons-Lits, the Belgian travel group in 1991.

"The debt situation is a concern," says one Paris-based analyst. But he believes that the company is now taking active steps to improve its financial position.

This sentiment is shared by investors who have pushed Accor's share price up by 20 per cent since the announcement of the first-half results, recovering from the sharp losses prior to the news. The COB, the French stock-market watchdog, is investigating the falls over the previous two weeks.

The strong rally reflects a belief that the company will now focus on core businesses and reduce its debts.

Accor has identified FFr5bn of potential assets it could sell, from which FFr2.5bn worth of receipts are expected by the end of 1995. The group is looking for an investor in its Sofitel luxury hotel chain after its failure to win control of Meridien. Accor wants to continue running the chain, but would like an investor to take a majority stake in the assets.

Mr Paul Slattery, an analyst at Kleinwort Benson, says: "That's going to be a tall order. Sofitel is a very tired brand that has suffered from under-investment."

One solution may be Prince Al Waleed of Saudi Arabia. The prince gave financial backing to Accor's bid for Meridien. Last month he took a 25 per cent stake in Four Seasons Hotels, the Toronto-based luxury hotels chain.

Neither chairman would be drawn on the prince's possible interest. But one industry analyst said: "He is a definite possibility. He has capital and he isn't hostile."

Gérard Pélisson (left) and Paul Dubrule: No fear of takeover

Vestey buys back most of Union Int'l

By Paul Taylor in London

The Vestey family is to buy back a large part of Union International, the food processing and distribution group, as part of a restructuring of the private Vestey food, shipping and property business empire.

Under the terms of a proposed deal, the Vestey Trust will acquire Union International's food trading and distribution businesses in Australia and Asia and its farming and property interests in Venezuela.

Tha deal, worth a maximum of £100m including up to £24m of deferred payments for the Venezuelan property, paves the way for the liquidation of Union International, a Vestey subsidiary which has been operating under a standstill agreement with its banks pending debt restructuring.

Union International is asking its banks to extend the standstill agreement by six months to mid-1995 by which time the company is expected to have eliminated its remaining debt and pushed ahead with the sale of its remaining assets which include the Dewhurst, Matthew's and Baxter's butcher shop chains, its British Beef businesses, its North American trading arm and some property interests.

The operations being acquired by the Vestey Trust represent the core of Union's food business with a combined profit before tax and interest of £11.7m ($18.5m) last year. In the first six months of this year their profit contribution rose to £8.5m from £5.8m in 1993.

The Australian and Asian food operations are considered to have strong potential and, together with the Frederick Leyland shipping business, will form the basis of a slimmed-down Vestey empire.

The deal is subject to approval at a meeting of shareholders and preference shareholders on November 18. The Vesteys own all of Union International's ordinary shares through their holding company, Western United Investment, and about a third of Union International's outstanding preference shares so the outcome of the meeting is not in doubt.

The buy-back is a blow to Mr Terry Robinson, Union International's chief executive, who had been seeking a management buyout. Under him, Union's debts have been cut from a peak of £420m to £124.6m at the end of last year. Mr Robinson confirmed yesterday that the proposed deal with the Vestey Trust, coupled with the planned sale of the group's Australian property interests, should eliminate the group's borrowings.

Axa to invest $10m in Turkish investment fund venture

By Andrew Jack in Paris

Axa, one of France's largest insurance groups, is planning to start operations in Turkey next year as part of its policy of international expansion.

The group, which bucked the trend in the French insurance sector by recently reporting half-year net group profits up 26 per cent to FFr1.5bn ($290m), plans to invest $10m in a joint venture with Oyak, the Turkish investment fund to begin in April next year.

The investment is one of several designed to broaden the group's international basis, said Mr Claude Tondil, director in charge of international development.

The company is also set to launch a direct marketing company to sell insurance in Germany. "Germany is a more difficult market to penetrate than Japan," said Mr Tondil, referring to the group's recently-boosted operations in Asia Pacific.

While other French insurance companies are holding back from additional international investment, Mr Tondil said Axa was looking for new acquisitions in Europe, Asia and North America.

He said about 60 per cent of Axa's premium income was generated in France.

Mr Tondil said he was also looking in the UK for additional property and casualty interests, but British insurers were too over-valued.

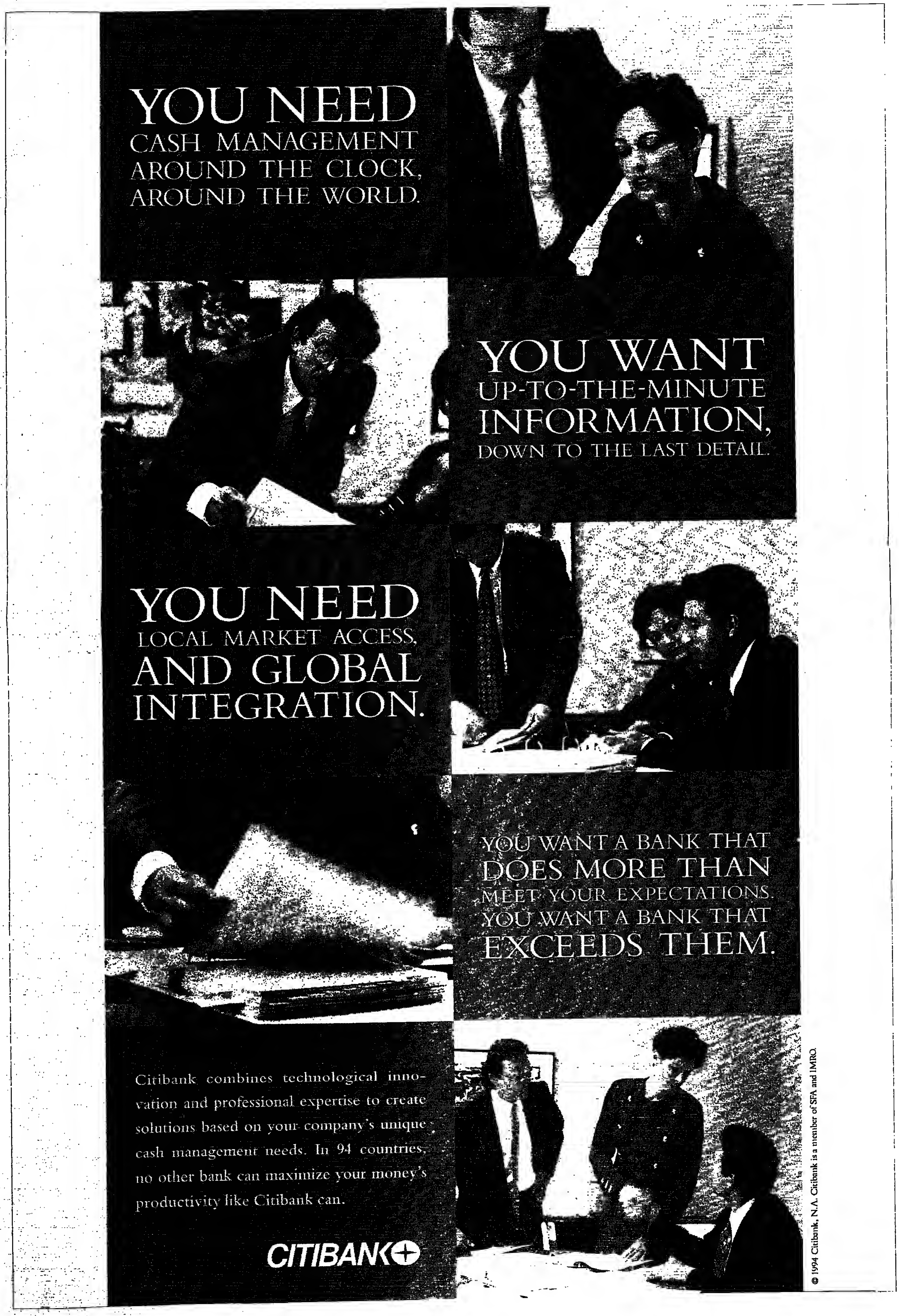
In North America, he said Axa was interested in expanding only cautiously, avoiding the natural-disaster prone regions, such as Florida and California.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 01.11.94: Pool purchase price £/MWh	Final Prices for Trading on 04.10.94: Pool purchase price £/MWh	Final Prices for Trading on 04.10.94: Pool selling price £/MWh
0030	9.57	9.55	9.55
0100	29.63	9.56	9.56
0130	29.63	9.54	9.54
0200	29.63	10.10	10.10
0230	29.63	10.10	10.10
0300	29.63	10.10	10.10
0330	9.67	9.56	9.55
0400	9.22	9.55	9.55
0430	9.20	9.55	9.56
0500	9.20	9.56	9.55
0530	9.21	13.20	15.53
0600	9.30	13.20	15.53
0630	27.35	13.20	15.53
0700	28.32	20.32	22.65
0730	27.78	22.00	24.35
0800	30.05	20.78	23.20
0830	30.05	26.94	29.38
0900	32.45	27.07	29.55
0930	32.77	22.44	24.91
1000	32.77	22.46	24.93
1030	32.78	22.44	24.90
1100	32.78	22.44	24.90
1130	32.78	22.57	25.08
1200	45.92	33.85	36.38
1230	45.92	33.82	36.35
1300	45.91	33.62	36.09
1330	32.77	20.74	23.15
1400	32.78	22.09	24.46
1430	32.78	20.58	22.94
1500	32.78	20.58	22.94
1530	32.78	20.62	23.00
1600	32.88	20.82	23.26
1630	47.69	31.41	33.94
1700	78.39	31.71	34.31
1730	100.44	33.39	35.95
1800	97.21	31.20	33.67
1830	62.82	11.38	11.38
1900	49.33	32.86	35.34
1930	48.51	32.80	35.47
2000	45.71	32.09	34.67
2030	38.20	31.78	34.19
2100	32.45	18.00	20.37
2130	30.50	16.61	18.95
2200	30.50	16.78	19.03
2230	30.50	16.57	18.90
2300	28.32	16.38	18.71
2330	10.04	16.15	18.48
2400	9.22	8.96	11.29

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 9.30am and 5.15pm Monday to Friday.
©Energy Settlements and Information Services Limited

هكذا من الأصل



Alarm bells ring over Telebrás tariffs

Brazil has returned to interventionism, reports Patrick McCurry

The Brazilian government's recent decision to cut telephone rates for local, long distance and international calls set alarm bells ringing.

Not only was there investor concern about the effect on the profits of Telebrás, Brazil's most traded stock, but more importantly the government seemed to be returning to its interventionist ways. The government, however, insists it is committed to tariff reform.

The rate cuts were spurred by competition from the so-called US call-back companies, which charge much cheaper rates for international calls by channelling them through the US, and by political expediency.

Mr Jonathan Morris, an analyst at Latinvest Securities in London, says that, after announcing a more pragmatic tariff policy at the end of 1992, "this looks like the government is returning to the bad old days of political intervention in tariffs".

Analysts maintained that the move has failed to reform an artificial structure in which cheap local calls and standing charges are subsidised by an expensive long distance and international service.

As for Telebrás, the government-controlled phone company, the effect on its revenues is hard to gauge.

Estimates range from neutral to a fall in revenues of up to $200m next year. The uncertainty led Telebrás's share price to fall sharply after the announcement.

The reductions, which come into effect today, involve a 5 per cent cut in local rates, a 17 to 20 per cent reduction in international tariffs and higher discounts for off-peak national long distance calls.

The cut in local rates, which are among the lowest in the world, is regarded by the market as a populist measure by President Itamar Franco and an attempt to try to keep down prices as part of a government anti-inflation plan.

The price cuts for international calls, which make up 10 to 12 per cent of Telebrás's revenues, are a reaction to the "call-back" companies.

Telebrás says the reductions, which follow price cuts of 41 per cent since August last year, make Brazil's international rates comparable with those of overseas phone companies. However, call-back companies say their prices are still significantly cheaper than those of Telebrás.

For example, the call-back companies charge $1 to $1.50 per minute to most European countries while, after the reductions, Telebrás will charge $2.35.

Mr Marcelo Vainstein, an analyst at Baring Securities in Sao Paulo, estimates the cuts in local and international rates will lead to a fall in revenues of nearly $100m next year.

Increased discounts for national long-distance calls, which make up half the company's revenues, could mean another $100m in lost revenues. But he says it is difficult to predict the effect on the national long-distance market because of a lack of information on the proportion of calls made during off-peak hours.

In total, the price reductions could mean a fall of perhaps $80m in Telebrás's expected after-tax profits of around $600m next year on revenues of some $6bn, he says.

This loss could be partly offset by increased volume but analysts' most optimistic view is that the price reductions will have a neutral impact on revenues. They say Telebrás's international calls are still comparatively expensive and long distance traffic is largely made up of business users, whose tariffs have not been reduced.

For Telebrás's future financial health an overhaul of the tariff structure is essential. The government has only partly implemented a restructuring announced in December 1992 under which the cross subsidy of local service by long distance and international rates was due to be phased out.

In addition, the government has not implemented the decision to increase charges for basic services: Telebrás's monthly standing charge is 44 cents, compared with $4 in Mexico and $5.50 in Chile.

The effect of this tariff structure is that Telebrás's revenues per line are less than $500, compared with about $800 for Telefonica de Argentina and $1,000 for Telmex.

The lack of revenues puts pressure on Telebrás's capital investment, which stand at about $3bn a year, half what is needed to cope with demand for lines, given that waiting times are up to two years.

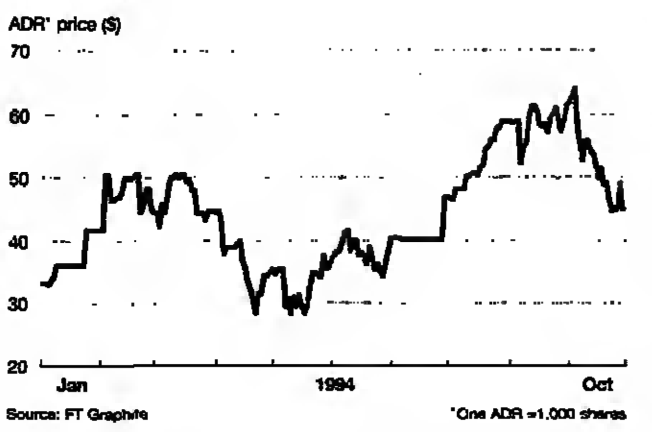
But Mr Renato Guerreiro, head of the government's phone tariffs department, says the government was still committed to the tariff reform, which was suspended in July when Brazil's new Real currency was launched.

He maintained the the government was "waiting for the right moment politically". But Mr Guerreiro said regardless of when the reform takes place, international calls would fall further because Telebrás's rates were still higher than call-back companies.

In the longer term, most analysts expect tariff reform to be carried out following the election this month of Mr Fernando Henrique Cardoso, who has said he favours liberalisation of the government's telecom monopoly.

The recent tariff cuts, however, will not please investors in Telebrás, says Mr Morris of Latinvest. "It appears that while investors have been expecting a more pragmatic approach to telecommunications in Brazil the government is busy paddling in the opposite direction."

Telebrás



Source: FT Graphite

*One ADR =1,000 shares

Time Warner appoints president

By Patrick Harverson in New York

Time Warner, the world's largest entertainment group, yesterday appointed Mr Richard Parsons, 45, the chairman of New York savings bank Dime Bancorp, as its new president. He takes over from Mr Gerald Levin, who remains chairman and chief executive.

Although the appointment of a banker to the number two slot appeared to be an unusual move, Mr Parsons has been a member of the group's board of directors since 1990 and has also worked on the boards of TriStar Pictures and the cable group American Television & Communications.

He is also a respected figure in local and national politics, having previously worked with New York Mayor Mr Rudolph Giuliani, and in Washington in the administrations of former vice-president Nelson Rockefeller and former president Gerald Ford. His ties to the political, banking and Wall Street communities are believed to have played a key part in his appointment.

As president at Time Warner, Mr Parsons will be responsible for many of the day-to-day administrative functions of the group, including the running of all corporate financial activities (with the help of new finance chief, Time Warner senior vice-president Mr Richard Bressler), legal affairs, staff management and corporate communications.

In a separate development, Time Warner was expected yesterday to announce the appointment of Mr Danny Goldberg as the new chairman of its Warner Brothers Records unit, the world's largest record company.

Mr Goldberg, currently head of Time Warner's Atlantic Records label, is expected to be asked to take over the helm at Warner Brothers.

Avenor moves steadily back to profitability

By Robert Gibbens in Montreal

Avenor, the big Canadian forest products group, is moving steadily back towards profitability with higher prices and surging demand for pulp, newsprint and white papers and a lower Canadian dollar.

Third-quarter operating profit was C$33.5m (US$24.8m), against an operating loss of C$42.3m a year earlier, a turnround of C$76m. However, after interest and special items, there was a loss of C$16.6m, or 25 cents a share, against a loss of C$12.3m, or 20 cents, on sales of C$498m, up 40 per cent.

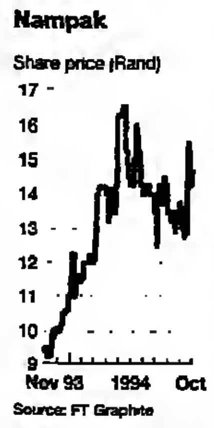
The nine-month final loss was C$61.3m, or 93 cents a share, against a loss of C$125m, or C$2.16, on sales of C$1.38bn, up 21 per cent.

Avenor said newsprint price increases went through in the third quarter and its machines are running flat out. Manufacturing cost is down nearly 9 per cent. US consumption will rise further in the fourth quarter and another price increase has been announced for December 1.

NEWS DIGEST

Lower financing costs help lift Nampak in year

Nampak



Source: FT Graphite

A lower effective tax rate and a reduction in financing costs allowed Nampak, the South African paper and packaging group, to increase its attributable profit for the year ended in September by 14 per cent to R350.9m ($100.2m) from R307.9m, writes Mark Suzman in Johannesburg. The results do not include a further R10.5m in abnormal profit arising from the disposal of the Kliprivier brown paper machines. Operating profit rose by only 6 per cent to R549.7m from R517.9m on the back of a modest 5 per cent increase in turnover to R4.79bn from R4.5bn. However, a 68 per cent reduction in interest paid to R10.3m from R32.1m, combined with an almost unchanged tax bill at R201.4m compared to R197.9m previously, helped improve the bottom line.

The group's balance sheet remains healthy, with borrowings at R151.4m, down from R228.8m, representing a gearing ratio of 9 per cent.

Mr Brian Connellan, chairman, attributed the results to improved productivity, and "the first, albeit hesitant, signs of economic recovery".

However, although he said that the group's gross margins had improved slightly to 11.5 per cent of sales from 11.4 per cent previously, Mr Connellan observed that there has not yet been any significant increase in real private consumption expenditure.

Of the group's divisions, Bevcan and the glass and plastics division improved profits, as did Divpac, Flexible and Polyfoil and most operations in the paper and printing sector. However, both Liquid Packaging and Foodcan reported reductions in profits.

Trinidad telecoms group 18% ahead for year

The Telecommunications Company of Trinidad and Tobago, in which Cable and Wireless of the UK has a a 49 per cent interest, recorded a net profit of TT$252m (US$45m) for the year ended March 31, writes Canute James in Kingston. This was 18.1 per cent higher than the previous year's figure.

The company, which has a monopoly on telecommunications services in the Caribbean country, said that, as in the previous year, there was no tax liability as a result of accumulated tax losses being brought forward.

The profits were affected by the 25 per cent depreciation of the Trinidad dollar when it was floated in April 1993. "The increase in net profit was influenced to a large extent by the effects of the flotation on net incoming international revenues," the company said.

Harbin Power plans to increase capacity 78%

Harbin Power Equipment, one of the 22 companies in the second batch selected by the Chinese government to seek overseas listing, plans to increase its annual production capacity by 78 per cent to 6,400Mw by 1998, AP-DJ reports from Hong Kong.

The manufacturer and exporter of power plant equipment said it wanted to take advantage of the planned major expansion in the country's power generation capacity.

Currently, the company and its subsidiaries have an annual production capacity of 3,600Mw. It plans to expand its annual production capacity for thermal power plant equipment to 4,800Mw by 1998 from 3,000Mw.

Production capacity for hydro power plant equipment is also scheduled to increase to 1,000Mw annually in 1995 and then to 1,600 to 1,800Mw by 1997 from 600Mw.

Malaysia to get first tyre cord factory

Andayani Megah, an Indonesian tyre cord manufacturer which is part of the Gajah Tunggal Group, and a unit of Malaysia's Hicom Holdings Berhad are setting up a joint venture to build Malaysia's first tyre cord manufacturing plant, writes Mannela Saragosa in Jakarta.

The US$60m tyre cord plant, which will also manufacture nylon, rayon and polyester tyre cord, is expected to be completed by 1997.

The joint-venture company operating the plant will have a starting capital of $75m and will be 45 per cent owned by Andayani Megah and 55 per cent owned by the Malaysian party.

According to the agreement, the joint-venture company will start marketing Andayani's tyre cord products in Malaysia prior to completion of the plant.

Hicom Holdings Berhad is a listed Malaysian investment holding company partially owned by the Malaysian government.

Seven Network to put A$225m into Optus

Seven Network, one of Australia's commercial TV station operators in which both Telstra and Mr Rupert Murdoch's News Corporation hold minority stakes, said that it expects to contribute about A$225m (US$167m) to the Optus Vision joint venture, which was formed last month to develop a broadband cable network in Australia, writes Nikki Tait in Sydney.

Optus Vision has suggested that it expects to spend more than A$3bn on the project over the next four years.

Seven, which is taking e 15 per cent interest in the project, said the first injection of capital was likely to be in first quarter next year.

Barrick advances 5% as Goldstrike output improves

By Bernard Simon
in Toronto

American Barrick, the Toronto-based gold producer, raised third-quarter earnings by 5 per cent. due largely to higher output at the flagship Goldstrike property in Nevada, and a contribution from recently-acquired Lac Minerals.

Barrick's per-share earnings were diluted however, by the issue of 66m common shares as part of the Lac purchase price. The Lac deal closed on September 6.

Net earnings climbed to US$61.3m, or 20 cents a share, from $58.3m, or 21 cents, a year earlier. Revenues advanced to $216m from $178m.

Earnings growth has been dampened by rising exploration expenses, as Barrick spreads its wings in Latin America and Asia. Exploration spending is forecast to rise to $30m next year, more than double 1994 levels.

Lac's properties in North America and Chile contributed about 30,000 ozs to third-quarter production, which totalled 560,500 ozs, up from 413,800 ozs a year earlier. Output from Goldstrike'a Betze-Post pit rose to 466,500 ozs from 368,000 ozs.

Barrick, which is now the largest gold producer outside South Africa, forecast 1994 output from its eight mines et more than 2.2m ozs.

Cash costs averaged $153 per oz in the third quarter, down from $202. Overall operating costs dropped to $168 per oz from $170.

Mr Bob Smith, president, told analysts yesterday that he will be disappointed if all the company's advanced exploration targets on the El Indio belt in central Chile are not converted into proven and probable reserves. Barrick had previously set e target of about 50 per cent.

Interpublic to acquire media-buyer

By Richard Waters
in New York

Interpublic, the US advertising group, said it would acquire Western International Media, the country's largest independent media-bnying company, in e deal which appeared to signal a consolidation of the US media-buying industry.

The deal could also indicate a push by the US group into media-buying business in Europe, which is currently dominated by locally-based groups. Western'a customers in the US include such international names as Walt Disney, Visa International and BMW.

Media buyers purchase advertising space in bulk and sell it on to advertisers, either directly or through other agencies. The greater bargaining power evailable to big buyers has already prompted a consolidation in the European industry, with specialist buying companies, soma of them owned by advertising groups, growing at the expense of individual agencies' buying departments.

The acquisition of Western, which claims to buy $1.6bn of air time and other advertising space a year, could indicate an acceleration of the same trend in the US. it represents tha first big acquisition by Interpublic, which has annual billings of $15bn and whose agencies include McCann-Erickson, Lintas and the Lowa group. These agencies each currently buy their own media space.

The planned deal prompted other edvertising industry executives to suggest that Interpublic was preparing to merge all its activities in this area into one company, creating a giant in the US media-buying industry.

However, a spokesman for Interpublic denied that the Western acquisition would lead to a merging of the media-buying operations: "We have no intention of combining them. It's a free-standing acquisition."

This was interpreted in part as an attempt to calm concerns of the smaller US advertising agencies for whom Western currently buys space.

European-based advertisers have also been exploring ways of expanding their US media-buying muscle. Saatchi & Saatchi, which in 1989 combined its European media buying activities in a single company, Zenith, is currently studying whether to adopt the same course in the US.

Together with the acquisition of an independent media buyer, Saatchi estimates the consolidation of activities in Zenith has given it about a sixth of the European market.

US biotech groups merge as similar moves loom

By Daniel Green

Two US biotecb companies announced their merger yesterday, a move which could herald a series of similar moves from the cash-strapped sector.

Nexagen of Boulder, Colorado, and Vestar of San Dimas, California, will merge to form Nexstar Pharmaceuticals.

Nexagen was floated earlier this year and, although it has the smaller market capitalisation, appears to be the senior partner in the deal.

The new headquarters is in Boulder, and the chairman and chief executive of the new company are from Nexagen.

The transaction will be effected througb an exchange of 0.88 shares of Nexagen for eacb Vestar share. Nexstar will hava a market capitalisation of about $180m.

Mr Viren Mehta, of biotechnology specialist research boutique Mehta and Isaly, said that the merger was "indicative of the financial pressures in the sector and on these two companies".

He said that Nexagen's technology showed more promise than Vestar's even though Vestar already haad a product approved and on sale in Europe.

BAT's Brazilian unit falls in third term

By Patrick McCurry
in Sao Paulo

Companhia Souza Cruz, the Brazilian subsidiary of British American Tobacco (BAT), announced a fall in third-quarter accumulated profits after tax to R$52.14m ($61m), from R$139.12m for the same period last year.

Much of the profit was thanks to a sister company, Aracruz Celulose, which contributed R$32.85m. This was a result of the effect of the overvalued Real currency on Aracruz's dollar debt and a recovery in world pulp prices.

Souza Cruz's profit from cigarettes and tobacco waa R$15.24m, hasically due to exports, compared with R$137.45m last year.

The company, which has an 80 per cent share of the local cigarette market, blamed the fall in profits on a 10.9 per cent reduction in the cigarette market, "significant" levels of contraband cigarettes and a reduction in tax payment periods.

However, analysts say the company's performance has been improving since the launch of Brazil's Real currency in July, which increased consumer purchasing power.

Optimism that the Real will lead to increased cigarette sales has pushed up Souza Cruz's share price 28 per cent aince August 20; during the same period Sao Paulo's main stock index fell 4 per cent.

During the nine-month period net sales were R$740.8m compared with R$945.7m.

P&G, Unilever soap wars leave market spinning

Consumers have yet to pick a winner as P&G launches a new detergent, writes Roderick Oram

Under harsh artificial sunlight, deep inside Procter & Gamble's laundry laboratory in Brussels, there seema no doubt: Ariel Futur, P&G's ripost in the Great European Soap War, and launched today in the UK, is superior to Unilever's Persil and Omo Power detergents, famous for their textile-damaging side-effects.

Be it blood, oil, or other nasty, staining substances, Ariel Futur, cleans best, claim P&G staff. But the reality of the £6bn ($9.5bn) marketplace, they acknowledge, is more complicated than life in the laboratory. Consumers, bombarded by claims and counter-claims by the two companies, are confused.

Unilever launched its Power products this spring, hailing them as a leap forward as significant for detergents as transistors were for electronics. P&G hit back with assertions that Power damaged clothes, and showed tattered underwear to prove it. Independent arbiters failed to settle the dispute: consumer associations in some countries slammed Unilever's new detergent, while others endorsed it.

Both sides claim they have increased the market shares of their ranges of detergents during the summer. But Unilever admits that Persil and Omo Power sales have fallen after every bout of bad publicity, and have had to be rebuilt through extensive promotions and advertising.

Into this bruising world of no-holds barred marketing, P&G is launching Ariel Futur (as spelt on Continental packaging; it is called Future for the British). Futur "represents a considerable technological advance in washing powders", says P&G.

With its manganese catalyst "accelerator" in Power, Unilever "stuck a rocket motor on a Ford Cortina. The detergent can't take the power", a P&G spokesman said during the Power furore this summer. "With Futur, we've redesigned the car from the wheel nuts up."

More enzymes have been added to improve stain removal and an inhibitor helps prevent dyes transferring from one garment to another in the wash. A new bleach and water softener complete the formula. It incorporates 11 new technologies and has taken five years to devise. About 25 per cent less soap powder is needed per wash compared with existing detergents, reducing packaging by 30 per cent. Unilever makes similar claims for its Power detergents.

To substantiate its in-house findings, P&G commissioned three independent, anonymous test institutes to compare Futur with Omo Power. Overall, Futur was better than Power at removing food, body soil, general soil and grease stains but worse at cleaning drink stains.

But close reading of the results shows that the competing powders are more evenly matched, making it hard for consumers to decide which one is superior in the kitchen, rather than ideal laboratory conditions.

Taking a wide range of stains, one institute scored 14 "wins" for Futur over Power, six draws where neither was better and two losses to Power. The other two institutes scored 11-5-2 and 14-11-2 respectively.

"Power is about the best of competing products," a P&G executive acknowledges, but its Achilles heel is the catalyst. P&G says despite lower concentrations of the catalyst in the current version of Power, it is still attacking e wide range of dyes.

Unilever says all detergents damage textiles and Power's adverse effects will only become apparent outside the normal lifespan of a garment. Meanwhile, it is searching for a way to stop the catalyst reacting badly with some dyes.

Futur was launched in its first market, Germany, some six weeks ago. Officially launched in the UK today, it will not hit shop shelves until January, accompanied hy a £7m television advartising campaign. P&G promises no knocking copy.

Navertheless, Unilever is hracing itself for further bloody encounters.

HK bourse chief to focus on quality of Chinese stock

By Louise Lucas in Hong Kong and AP-DJ

Dr Edgar Cheng Wai-kin, who yesterday was elected chairman of the Hong Kong Stock Exchange, said that under his stewardship the exchange would continue reaching out to China, but that he was more interested in strengthening the quality of Chinese companies listed in the territory than increasing their numbers.

He said he would strive to ensure that the Chinese companies already listed in Hong Kong would provide benchmark examples of good governance. "Obviously, I would like to continue to see Hong Kong as a strong capital formation centre as well as a major trading centre for Chinese securities."

Dr Cheng, son-in-law of the late business tycoon Sir Y. K. Pao and chairman of World-Wide Investment, a non-listed part of Sir Y. K.'s business group, was elected chairman initially for one year, but if re-elected could serve three terms – as did Dr Cheng's predecessor, Dr Charles Lee. He therefore stands to steward the exchange through the colony's return to Beijing rule in June 1997. He has strong connections with Chinese officials, and is a Beijing-appointed Hong Kong affairs adviser.

Dr Cheng is active in business circles in Hong Kong and Singapore, and for the past three years has served both the stock exchange and the futures exchange at committee level.

Relations between the colony's two exchanges were hurt last week when the futures exchange unveiled plans to launch futures contracts on selected equities, a move for which it secured government blessing but omitted to consult the marketplace in order to ensure confidentiality and a competitive edge.

The stock exchange, saying the move posed questions of added risk and volatility, believes the market (including itself) should have been consulted.

Dr Cheng's appointment, which takes effect immediately, follows a week of council elections that spurned many of the colony's big broking names.

Mr Alan Murray, director of Jardine Fleming, the brokerage jointly owned by Jardine Matheson and Robert Fleming, lost his seat, while Mr Philip Tose, founder and chairman of Peregrine Investments – one of the most successful local securities and merchant banking houses – and Mr John Mulcahy, managing director of UBS Securities in Hong Kong failed to secure representation.

BHP cuts ties with Woodside

By Nikki Tait

Broken Hill Proprietary, Australia's largest company, yesterday cut its ties with Woodside Petroleum, the energy group which is the leading participant and operator of the North West Shelf gas project, through an institutional placing of its remaining share interests in the company.

Late yesterday, BHP announced that it had sold the 28.3m shares in Woodside which it owned directly at A$4.765 each, raising A$135m (US$100m). It also said that a further 76.8m shares owned by North West Shelf Development, a joint venture company held equally by BHP and Shell Australia, had been offloaded.

The second tranche of shares was disposed of at the same price, raising A$366m in total. Shell said the latter sale did not affect its "long-term commitment to Woodside", in which it still holds a 34.27 per cent interest, and to the North West Shelf project.

BHP also said it retained some links to the North West Shelf project through a 16.67 per cent interest in the LNG export project, and a 8.33 per cent share in the domestic gas phase. The BHP-related shares were sold to Were Stockbroking, which planned to place them with a range of institutional and portfolio investors.

Woodside shares closed 7 cents higher at A$5.02 on the Australian Stock Exchange yesterday. BHP shares gained 12 cents to A420.64.

CRA blocks copper plant upgrade

By Nikki Tait

The Southern Copper refinery and smelter at Port Kembla in New South Wales may be closed permanently. This follows the announcement by CRA, the Australian resources group controlled by Britain's RTZ, that it was refusing to support a A$230m (US$170m) upgrade of the facility unless a new partner was brought into the project to "substantially" reduce CRA's stake.

CRA currently holds a 60 per cent interest in the project, alongside two Japanese investors – Furukawa with 30 per cent and Nissho Iwai Corporation with 10 per cent. Just over half the investment relates to environmental upgrading and the rest to expansion "to achieve a viable scale of operation", and would have taken place over the next two years.

CRA's move follows four weeks of strike action at the plant. Over 300 employees walked out on October 4 in protest at management plans to cut 40 jobs from the workforce of around 440. There has been minimal production since then.

A decision on the plant's future is to be made by the Southern Copper board this month.

Oki Electric returns to black but skips payout

By Michiyo Nakamoto in Tokyo

Strong demand for semiconductors and telecommunications equipment, coupled with a restructuring programme, helped Oki Electric, the Japanese electrical machinery maker, return to profitability in the first half of fiscal 1994.

Oki beat its own expectations and boosted non-consolidated sales in the period by 6.6 per cent to Y273.1bn (US$2.8bn) from Y256.2bn last year.

The company recorded Y24.7bn in recurring profits – before extraordinary items and tax – compared with a loss of Y6.8bn previously.

Buoyant demand for memory chips, particularly from the computer industry in overseas markets, and strong orders for telecommunications equipment from NTT, the Japanese telecommunications group with which Oki has long-established ties, were the main factors behind the company's improved performance, it said.

Oki also benefited from a cost-cutting programme it implemented at the beginning of the term. Net profits totalled Y22.1bn against a loss of Y12.4bn.

However, the company, which still had an accumulated loss of Y16.5bn at the mid-term, passed its dividend.

The company forecasts sales of Y530bn in the full year, compared with an earlier forecast of Y527bn.

Recurring profits are expected to total Y30bn, rather than Y10bn and net profits are forecast at Y27bn, rather than Y6bn.

Correction

Toshiba

Toshiba forecasts sales of Y3,300bn in the year to March 1995, not Y2,440bn as reported last week.

Cautious nod for News Corp stock

By Nikki Tait in Sydney

The Australian Stock Exchange's indexation department yesterday gave only a qualified nod to the new preferred limited voting ordinary shares which Mr Rupert Murdoch's News Corporation plans to issue this month.

It said it would include the shares in the calculation of Australia's All-Ordinaries index, the stock market's main marker, for at least three months, but review the situation after that initial period.

If the new shares were well-traded and performed in line with the existing ordinary shares, they would remain in the index. If they traded in significantly different fashion, however, they would be removed.

The shares are being issued by way of a one-for-two scrip issue, and it is expected that trading will start on Thursday.

News Corp's decision to issue the limited voting shares has been the focus of much attention because of Mr Murdoch's apparent desire to raise new capital without diluting his family's control of the company any further.

If investors can be persuaded that the limited voting shares are roughly equivalent to the existing ordinary shares, News Corp would be able issue more of this class of stock without undermining the Murdoch voting position – except in a very limited range of circumstances.

Last month, in a move designed to appeal to investors, News Corp announced that it would amend its articles at a future extraordinary meeting, so that the limited voting shares are promised a dividend premium of not less than 20 per cent over the dividend on the ordinary shares, and are ensured similar treatment as the ordinary shares in the event of a bid for News Corp.

Nevertheless, some sceptics still believe that the limited voting shares will trade at a discount to the existing ordinary stock.

Japan's paper groups mixed

By Emiko Terazono in Tokyo

Paper

Japan's leading paper manufacturers continued to suffer from cuts in paper prices due to stagnant demand, but restructuring and cost-cutting efforts at the top two companies lifted earnings at the current level.

Benefits from mergers boosted interim profits at Nippon Paper Industries and New Oji Paper.

New Oji was created through a merger between Oji Paper and Kanzaki Paper in October last year, while Jujo Paper and Sanyo-Kokusaku Pulp merged to form Nippon Paper in April last year.

Earnings were also helped by a fall in import raw material costs due to the strong yen. Sales for the industry declined in spite of a rise in sales volumes due to sluggish product prices.

Nippon Paper, however, said unconsolidated after-tax profits fell 26 per cent to Y4bn ($41.1m) as income from securities sales fell to Y300m.

Daishowa Paper, which is currently undergoing financial restructuring from the mounting losses on stock and real estate investments, managed to reduce losses at the recurring level – before extraordinary items and tax – from Y11.4bn last year.

It reduced operating costs by Y2bn for the first half and cut interest bearing debts by Y11.5bn from last March to Y423.1bn.

Honshu Paper blamed its profits decline on falling paperboard prices. After-tax profits, however, rose 2.6 per cent to Y1.4bn due to a fall in depreciation costs.

For the full year to next March, the companies are expected to see a rise in sales in tandem with the rise in industrial production and hikes of paper prices.

Nippon Paper revised up its unconsolidated earnings forecast for the full year and now expects a 21 per cent rise in recurring profits to Y11.5bn on a 2.1 per cent increase in sales to Y640bn.

New Oji expects a 43.8 per cent rise in recurring earnings to Y15.1bn on a 12 per cent sales increase to Y545.3bn, while Daishowa sees a recurring loss of Y12.8bn on a 3.2 per cent rise in sales to Y284bn.

Honshu sees current earnings falling 13.9 per cent to Y6.8bn and sales declining 0.6 per cent to Y366.6bn.

1994 Interim results (Ybn)

Company	Sales	Change on year (%)	Recurring profits†	Change on year (%)
Nippon Paper	316.2	-0.7	5.6	+39.8
New Oji Paper	270.3	+25.1	8.6	+31.6
Honshu Paper	182.2	-2.0	3.2	-11.2
Daishowa Paper	141.3	-2.4	-6.9	-

† before extraordinary items and tax. Source: Company reports

New lipstick line boosts Shiseido

By Emiko Terazono

A new smudge-free lipstick has made an impression on profits at Shiseido, with the leading Japanese cosmetics manufacturer posting a moderate rise in interim recurring profits.

Non-consolidated recurring profits – before extraordinary items and tax – for the first half rose 0.9 per cent to Y15.9bn (US$163m), while overall sales edged down 1.5 per cent to Y196.8bn due to a sharp decline in sanitary products sales. After-tax profits advanced 1 per cent to Y7.8bn.

Sales of Shiseido's new lipstick line, launched in July, totalled a record 2.3m units in the first two months, helping sales of the company's cosmetic's division rise 1.5 per cent to Y140.7bn. Revenue from its beauty salons, foods and drugs division fell 1.8 per cent to Y12.8bn.

For the full year to next March, Shiseido expects parent recurring profits to rise 0.2 per cent to Y32.5bn, and sales to increase 0.2 per cent to Y392bn.

NEWS IN BRIEF

Challenge Bank advances to A$40.3m

By Nikki Tait

Challenge Bank, the Western Australian banking group, yesterday announced a profit after tax and abnormals of A$40.3m (US$29.9m) in the year to end-September. This compared with A$21.4m last year. Operating profit, before abnormals and tax, rose to A$65.4m from A$32.4m.

Challenge attributed the improved performance to the diversity of its business and the relatively buoyant Western Australian economy.

MIM signs gold pact

MIM, the Queensland-based metals group, and Haoma North West, a smaller Australian mining company, have signed an agreement to develop the Nolan's gold project in North Queensland. The total capital cost of the project, in which MIM has a 50.1 per cent and is manager, is put at A$47m.

Ravva deal agreed

Command Petroleum, the Sydney-based company, said that – together with three other joint venture partners – it had finalised a contract to develop the Ravva oil and gas field in the Bay of Bengal. Partners are Videocon Petroleum, Ravva Oil (Singapore) and the government-owned Oil & Natural Gas Corporation.

هكذا من الأصل

Get it live. Get the edge.

Imagine being the first to know when a market-moving story breaks, vital minutes before your competition.

Imagine getting the story direct from the source, live, without delay.

That's the advantage you get from Reuters Financial Television. It puts live TV coverage of the financial news that matters in a special window right on your PC or workstation, integrated with your usual Reuter information.

Since its launch in June this year, Reuters Financial Television has carried an average of three live events every day, covering interviews, press conferences and speeches from the key players in international finance such as Tietmeyer, Greenspan and Mieno, many of them exclusively. The speed advantage over other services has been anywhere from 30 seconds to 2½ minutes.

Unlike conventional TV news it concentrates exclusively on financial events, and alerts you only when something relevant is happening. You'll also quickly get informed reaction and analysis from respected market analysts to ensure you have the complete picture, plus news updates throughout the trading day.

It's like being there as international financial figures shape the news. The competitive advantage is obvious. And of course it's nice to know they told you first.

Be there with Reuters Financial Television.

REUTERS
FINANCIAL TELEVISION

Making the best information work harder

For further information contact your local Reuter office or Area Headquarters

INTERNATIONAL CAPITAL MARKETS

US Treasury prices fall back on profit-taking

By Frank McGurty in New York and Conner Middelmann in London

US Treasury bond prices fell victim to profit-taking yesterday morning as traders reacted to the first in a series of important economic reports due out this week.

By midday, the benchmark 30-year government bond was ¾ lower at 94 11/32, with the yield rising to 7.982 per cent. At the short end, the two-year note was down 1/16 at 100 1/32, to yield 7.982 per cent.

After the market rang up solid gains on Friday, prices receded in early trading yesterday. With the long bond jumping by about a point to close last week's action, traders prudently decided to step back a little.

In spite of the retrenchment, the positive mood appeared to hold. The shift in sentiment suggested that the market may have touched bottom before Friday's disclosure that the economy had expanded in the third quarter at an annualised rate of 3.4 per cent, much stronger than analysts had forecast.

Although the headline figure could well have rattled the inflation-sensitive long end, bonds held steady on Friday and then climbed in relief over the initial calm reaction. During the session, the yield slipped below 8.00 per cent, an important psychological mark breached a week earlier.

Yesterday, however, traders were looking ahead for fresh guidance. The first piece of news in this week's busy schedule came at mid-morning.

The Purchasing Management Association of Chicago announced slight gains in both its October index of business activity and the prices-paid component of the monthly survey. The mildly unfavourable developments had little impact, however.

Instead, attention was directed at today's national survey of purchasing managers and Friday's crucial report on conditions in the labour market. In general, the reports were expected to be benign for bonds.

GOVERNMENT BONDS

■ European government bonds drifted lower in moderate volume, dragged down by weaker US Treasuries. With France closed for the day and market participants in other countries winding down for today's All Saints' holiday, flows were thin and dealers reported little investor activity.

■ After opening on a stronger note, German bunds ended the day nearly ¼ point lower, slipping on a bout of futures selling which pushed the December bund futures contract on Liffe as low as 98.08, down 0.41 on the day and close to the 89.00 level considered to represent key technical support.

The slippage was attributed to the weakness of US Treasuries and to dealers paring back long futures positions established last week.

Adding to the softer tone was the Bundeebank'e announcement that it plans to issue a new 10-year bund on November 8 and 9. After its recent floating-rate issue, it has returned to its more traditional fixed-rate bonds.

■ UK gilts also slipped in light trading, shedding some of the gains posted on Friday. Weakness in neighbouring bond markets and slightly stronger than expected money supply data fuelled the profit-taking, which pushed the December long gilt futures contract down 13/32 to 100 5/32.

The short end of the yield curve came under particular pressure from reviving talk of an imminent increase in base rates.

Interest rate jitters have turned the market's focus to today's release of the Bank of England's quarterly inflation report and tomorrow's meeting between Mr Eddie George, the governor of the Bank of England, and Mr Kennetb Clarke, the chancellor of the exchequer. The Dscember short sterling futures contract fell 0.11 to 93.47.

■ Swedish bonds opened lower after Moody's Investors Service, the international rating agency, said late on Friday that it was placing Sweden's foreign currency debt on review for downgrading on concerns about the country's public-sector deficit.

However, with few foreign investors left in the Swedish market and domestic investors reluctant to sell, prices held up relatively well and ended the day only slightly lower.

The market remains partially underpinned by widespread hopes for a "yes" vote in the European Union referendum on November 13.

Moreover, Moody's threat to downgrade Swedish debt may serve Finance Minister Goran Persson as a tool to help push budget cuts through parliament in January, observers said.

GDR issues in India about to enter new phase

By Martin Brice

The Indian government's announcement over the weekend that it is changing the rules for companies making international equity offers may mean ths market for global depositary receipts issued by Indian companies is about to enter a new phase.

The move was prompted by large inflows of foreign capital – about $2.1bn of Indian global depositary receipts (GDRs) have been issued so far this year – and the Indian government has acted on two fronts.

First, it has said companies no longer need to use capital within 12 months of raising it. However, to slow the flow of funds into India, proceeds must now be kept abroad until they are needed.

Second, the government has banned the use of warrants, which give investors the right to buy shares at a fixed price in the future. Issuing warrants was sometimes used to make offers more attractive, since they could be priced more cheaply than existing shares. "You tended to use warrants when you needed to get the issue away," said one banker involved with GDRs.

Ending the use of warrants is likely to mean a two-tier market emerging for GDRs, some bankers believe. First-division companies will be able to raise capital successfully with GDRs but second division companies may struggle.

Blue-chip companies like Bajaj Auto, the highly-successful Indian scooter maker, will always have a following among investors. However, GDRs issued by second-tier companies may join the 85 per cent of Indian GDRs trading at a discount to the local shares.

"There is a flight to quality and liquidity," said one banker.

Ironically, bankers agree that the need for action was prompted by the success of the Indian government's liberalisation programme, as companies have moved to take advantage of access to free-market international capital. "This is a government that is not quite sure if the market should rule or whether it wants to control the market," said a banker.

Electricity offer in Thailand oversubscribed

By William Barnes in Bangkok

The first flotation of part of Thailand's electricity industry has attracted funds worth nearly $8bn – driving the offer price of the Electricity Generation Co (Egco) to Bt22 a share.

"It's getting to be quite unbelievable – we knew the share would be popular but this has surprised us," said a member of the Jardine Fleming team co-managing the offer.

The indicated price range had been Bt17–Bt20 but this was lifted because the local portion of the offer – a total of 147m shares – was oversubscribed at least 50 times and the international tranche of the remaining 57m shares oversubscribed more than 20 times.

At Bt22 a share Egco's market capitalisation is nearly Bt9bn.

NTT finds strong UK demand for $300m deal

By Graham Bowley

Japan's Nippon Telegraph and Telephone yesterday launched a $300m offering of five-year bonds priced to yield 24 basis points over US government bonds.

The deal, NTT's first offering in the dollar sector for almost two years, met strongest demand from UK institutional investors, joint lead manager JP Morgan said. Bonds were also sold to Japanese accounts in London, non-Japanese buyers in the Far East and investors in Switzerland and Germany, JP Morgan said.

The offering, which was believed to have been swapped into fixed-rate yen, was well received by other syndicate managers, who said the bonds were fairly priced.

One syndicate manager in London said: "The bonds could have been priced slightly tighter than they were but to get deals away at the moment you have to make sure they are priced attractively."

Recent five-year offerings by Triple A credits like Japan Development Bank and Oesterreichische Kontrollbank are now trading at around 20 basis points above US Treasuries, which makes the NTT bonds attractive to investors on a yield basis, JP Morgan said.

The launch spread was maintained after the bonds were freed to trade. JP Morgan said that the offering was one of only a few recent dollar deals in which the pricing spread has not widened out immediately after being launched.

Interest in the US dollar sector has picked up recently, particularly from institutional investors in the Far East, and spreads in the dollar secondary market have tightened, traders said.

In the D-Mark sector, Ford Credit Europe launched a DM200m offering of five-year bonds targeted at retail investors.

The bonds were priced to yield 45 basis points over the equivalent German government bonds and the proceeds were believed to have been swapped into floating-rate D-Mark. The spread widened slightly to around 49 basis points over after the bonds were freed to trade.

The offering was launched following the success of a similar issue by BMW in September, lead manager Dresdner Bank said.

The prospects for the D-Mark sector are encouraging, one trader said. Retail investors, in particular, are being attracted by the relatively high yields and current low German inflation rate, be said.

The yen sector saw two new bond issues, targeted almost exclusively at institutional investors in Japan, including a Y30bn offering of bonds due February 2000 by Santander International.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Sanwa Finance Aruba‡	400	(a)	100	Nov.2004	Undisc.	-	Sanwa Intl.
Nippon Telegragh & Telephone	300	7.75	99.495R	Nov.1999	0.25R	+24 (7¼%-99)	J.P.Morgan/Paribas
YEN							
Santander Intl.★	30bn	4.70	100.22R	Feb.2000	Undisc.	-	Daiwa Europe
Cofiri Intl.★	15bn	5.20	100.00	Nov.2004	Undisc.	-	Daiwa Europe
D-MARKS							
Ford Credit Europe	200	7.50	99.93R	Dec.1999	0.20R	+45(6¼%-99)	Dresdner Bank

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Unlisted. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 6 month Libor + 25bp until 15/11/99 then pays 50bp thereafter.

Merrill opens in Jakarta

By Manuela Saragosa in Jakarta

Merrill Lynch has set up a joint venture with Indonesia's PT Persada Kian Pasti Lestari, making it the first US-based securities firm to open an office in Jakarta.

"We have clearly identified Indonesia as probably one of the best opportunities in the world, if not the best opportunity, for our industry," said Mr David Komansky, executive vice-president of Merrill Lynch.

The office will deal with corporate finance, trading, underwriting, asset management and research and will be headed by Mr Mitchell Shivers, who is moving from Merrill Lynch's New York office.

Merrill Lynch will own 80 per cent of PT Merrill Lynch Indonesia while the Indonesian company will own the remaining 20 per cent.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	90.7300	-0.280	10.53	10.17	10.30
Belgium		7.750	10/04	95.1600	-0.190	8.49	8.47	8.56
Canada *		6.500	06/04	89.6000	-0.250	9.10	9.11	8.92
Denmark		7.000	12/04	97.1000	-0.170	8.98	8.80	9.07
France	BTAN	9.000	05/98	-	-	-	7.53	7.56
	OAT	5.500	04/04	-	-	-	8.25	8.24
Germany Treu		7.500	09/04	99.0200	-0.430	7.64	7.56	7.63
Italy		8.500	08/04	81.5000	-0.770	11.73†	11.84	11.84
Japan	No 118	4.800	06/99	102.7480	+0.100	4.16	4.14	3.94
Japan	No 164	4.100	12/03	95.9516	-	4.74	4.71	4.61
Netherlands		7.250	10/04	97.5400	-0.180	7.61	7.56	7.63
Spain		8.000	05/04	81.4500	-0.516	11.25	11.21	11.22
UK Gilts		6.000	08/99	89-24	-8/32	8.65	8.60	8.74
		6.750	11/04	86-30	-10/32	8.72	8.73	8.82
		9.000	10/08	102-18	-11/32	8.68	8.71	8.68
US Treasury *		7.250	08/04	96-01	-5/32	7.84	7.83	7.66
		7.500	11/24	94-12	-8/32	8.00	8.02	7.87
ECU (French Govt)		6.000	04/04	83.1300	-	8.68	8.60	8.75

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	4.54	Two year	6.84
Prime rate	7¾	Two month	5.25	Three year	7.07
Broker loan rate	6¾	Three month	5.18	Five year	7.52
Fed.funds	4¾	Six month	5.70	10-year	7.85
Fed.funds at intervention	•	One year	6.16	30-year	8.05

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) October 28

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	109.92	109.94	+0.26	110.26	109.66	128,214	134,146
Mar	109.20	109.14	+0.26	109.34	108.98	1,008	11,580
Jun	108.42	108.32	+0.24	108.50	108.42	172	1,261

■ LONG TERM FRENCH BOND OPTIONS (MATIF) October 28

Strike Price	CALLS Dec	Mar	Jun	PUTS Nov	Dec	Mar
110	0.90	1.51	-	0.94	-	-
111	0.47	1.16	1.34	-	-	3.07
112	0.23	0.77	-	2.25	-	-
113	0.10	0.52	-	-	-	-
114	0.04	-	-	-	-	-

Est. vol. total, Calls 49,748 Puts 21,080. Previous day's open int., Calls 258,826 Puts 286,834.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	88.63	89.13	-0.36	88.71	88.08	78168	173608
Mar	88.76	88.33	-0.36	88.77	88.70	122	5985

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	Jan	Feb	Mar	PUTS Dec	Jan	Feb	Mar
8900	0.85	0.79	1.03	1.17	0.72	1.46	1.70	1.84
8950	0.60	0.59	0.82	0.95	0.97	1.76	1.99	2.12
9000	0.40	0.44	0.65	0.77	1.27	2.11	2.32	2.44

Est. vol. total, Calls 9619 Puts 4375. Previous day's open int., Calls 282416 Puts 222815

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	100.61	99.80	-0.67	100.67	99.72	27718	69401
Mar	99.26	99.06	-0.63	99.26	99.26	100	5218

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	Mar	PUTS Dec	Mar
9950	1.28	2.33	0.98	2.77
10000	1.03	2.16	1.23	3.04
10050	0.79	1.90	1.49	3.34

Est. vol. total, Calls 2246 Puts 924. Previous day's open int., Calls 24611 Puts 30395

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	87.37	86.64	-0.61	87.42	86.58	33,882	73,495
Mar	86.00	85.60	-0.05	86.00	86.00	107	107

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	101-03	100-19	-0-12	101-03	100-15	29764	106334
Mar	100-00	99-22	-0-12	100-00	100-00	1	47

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	Mar	PUTS Dec	Mar
100	1-30	2-15	0-56	2-35
101	0-60	1-48	1-22	3-04
102	0-35	1-22	1-61	3-42

Est. vol. total, Calls 7303 Puts 1804. Previous day's open int., Calls 79535 Puts 44445

Ecu

■ ECU BOND FUTURES (MATIF) October 28

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	80.04	80.14	+0.36	80.34	79.82	1,321	6,516

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	97-12	98-07	-0-04	98-13	98-04	542,534	380,484
Mar	96-22	97-16	-0-06	97-22	97-15	8,214	27,715
Jun	-	97-00	-0-02	97-01	97-00	472	11,315

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	107.92			108.20	107.92	3100	0
Mar	107.22			107.22	107.18	254	6

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Oct 31	Day's change %	Fri Oct 28	Accrued interest	xd adj. ytd		Low coupon yield Oct 31	Oct 28	Yr. ago	Medium coupon yield Oct 31	Oct 28	Yr. ago	High coupon yield Oct 31	Oct 28	Yr. ago
1 Up to 5 years (24)	118.94	-0.08	119.04	1.36	9.83	5 yrs	8.69	8.65	6.20	8.71	8.97	6.43	8.88	8.84	6.57
2 5-15 years (23)	138.32	-0.25	138.67	1.70	11.00	15 yrs	8.57	8.54	7.09	8.72	8.68	7.22	8.94	8.90	7.42
3 Over 15 years (8)	155.12	-0.30	155.58	2.38	10.57	20 yrs	8.52	8.49	7.18	8.72	8.68	7.28	8.82	8.78	7.44
4 Irredeemables (6)	174.88	+0.16	174.66	0.02	13.47	Irred.†	8.56	8.57	7.30						
5 All stocks (61)	135.76	-0.20	136.03	1.69	10.65										

Index-linked							Inflation 5% Oct 31	Oct 28	Yr. ago	Inflation 10% Oct 31	Oct 28	Yr. ago
6 Up to 5 years (2)	185.69	-0.01	185.71	0.40	5.07	Up to 5 yrs	4.03	4.01	2.34	2.87	2.85	1.52
7 Over 5 years (11)	172.63	-0.03	172.68	0.64	4.36	Over 5 yrs	3.89	3.89	3.14	3.70	3.70	2.97
8 All stocks (13)	173.16	-0.03	173.15	0.79	4.41							

Debentures and Loans						5 year yield Oct 31	Oct 28	Yr. ago	15 year yield Oct 31	Oct 28	Yr. ago	25 year yield Oct 31	Oct 28	Yr. ago
9 Debs & Loans (77)	127.09	-0.20	127.39	2.37	9.29	9.73	9.70	7.84	9.68	9.64	8.15	9.83	9.59	8.26

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Oct 31	Oct 28	Oct 27	Oct 26	Oct 25	Yr ago	High*	Low*
Govt. Secs. (UK)	91.04	91.21	90.58	90.08	90.40	102.36	107.04	89.54
Fixed Interest	107.74	107.31	106.84	107.08	107.46	124.25	133.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Oct 28	Oct 27	Oct 26	Oct 25	Oct 24
Gilt Edged bargains	72.7	81.1	90.8	87.8	64.6
5-day average	79.8	83.4	84.4	84.1	84.5

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on October 31

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK GILTS PRICES

	Notes	Yield Int	Red	Price £	+ or –	1994 High	Low
Shorts (Lives up to Five Years)							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five to Fifteen Years							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Over Fifteen Years							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Undated							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Index-Linked							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

	Notes	Yield Int	Red	Price £	+ or –	1994 High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

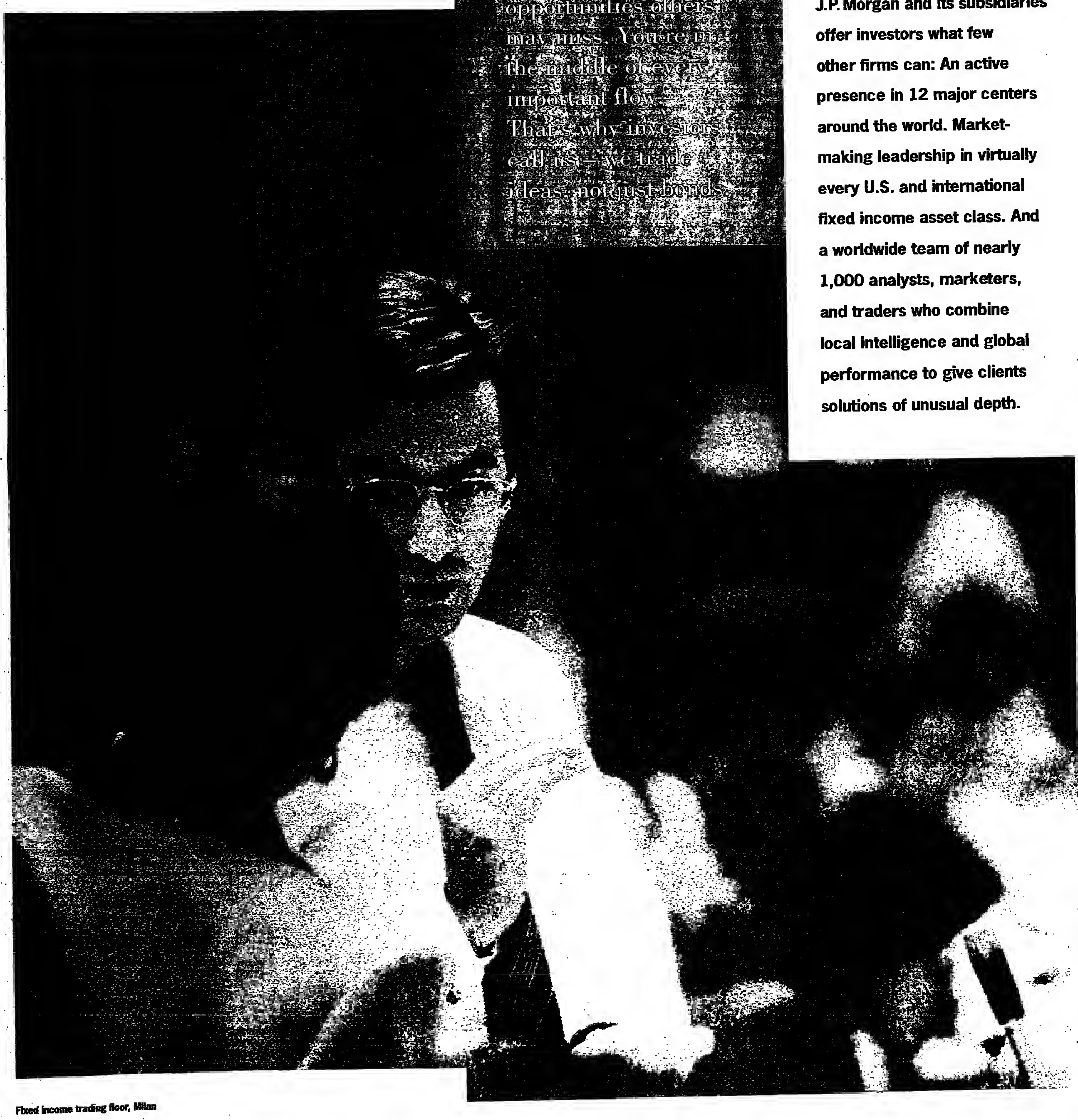
● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

هكذا من الأجيل

Depth

When your roots are deep in local markets, you see opportunities others may miss. You're in the middle of every important flow. That's why investors call us — we trade ideas, not just bonds.

J.P. Morgan and its subsidiaries offer investors what few other firms can: An active presence in 12 major centers around the world. Market-making leadership in virtually every U.S. and international fixed income asset class. And a worldwide team of nearly 1,000 analysts, marketers, and traders who combine local intelligence and global performance to give clients solutions of unusual depth.



Fixed income trading floor, Milan

JPMorgan

GrandMet taps new market for $500m

By Richard Lapper

Grand Metropolitan, the food and drinks group, is to raise $500m (£316m) in the United States through an issue of perpetual fixed rate preferred securities, a financial instrument similar to preferred stock.

The issue, one of the biggest in the US preferred market this year, is part of the group's efforts to reduce its short-term debt and diversify funding sources. It follows a $1.2bn zero coupon bond and a $600m Eurobond issue earlier this year.

Part of the attraction is the tax advantages linked to the way the deal has been structured. A new subsidiary set up as a limited partnership in the state of Delaware, will issue the securities and tban lend the proceeds back to the UK parent.

The coupons on the inter-company loan will be tax deductible. Delaware company law allows businesses to be classed as partnerships for tax and companias for reporting purposes.

"We have developed a structure which provides the economic equivalent of a parent issue of preferred stock at an attractive cost," explained Mr Nick Rose, group treasurer of GrandMet. "It will further lengthen the maturity profile of our funding and will improve gearing and interest cover."

Mr Calum Osborne, executive director, capital markets, at Goldman Sachs, co-lead manager of the issue and book-runner, said the deal could be a model for other companies seeking to raise capital in the US.

Although the new securities will be classified as "minority interests" and give tha company a similar degree of flexibility as an equity issue, funding costs will be lower than an issue of preference shares and only slightly more expensive – 40 basis points more according to Mr Rose – than an issue of debt.

UK and other European companies have ventured into the US preferred market over the last five years, but this is the first time a UK group has issued preferred securities.

"Preferred securities are low cost, non-voting securities, [and] represent an attractive and important source of non-dilutive, quasi equity capital, which to date have baen unavailable to UK corporation," said Goldman Sachs.

GrandMet also hopes to widen its investor base in the US, arguing that the paper sbould prove attractive to retail investors.

"It is an important development in the evolntion of UK and other foreign issuers to access the fixed rate preference share market", said Mr Bruce Macfarlane, a managing director at Merrill Lynch, the other co-lead manager.

Samax seeks £16m in issue and placing

By Kenneth Gooding, Mining Correspondent

Samax, whicb is developing a graphite mine in Tanzania and a gold mine in Ghana, bopes to raise abont £16m this month with an issue and placing of new shares, which will be floated on tbe London Stock Exchange.

The company was set np in 1989 by Mr Michael Martinean, its managing director, and Mr John Park, operations and finance director, wbo eacb have more than 25 years experience in the minerals husiness, partly with British Petroleum and more recently with Cluff Resources.

Samax's activities so far have been financed primarily by the Addax & Oryx Group, described in the pathfinder prospectus yesterday as a private, Enrope-hased group involved in trading and related operations in Africa. Addax will remain a snbstantial shareholder after the placing hy stockhrokera Credit Lyonnais Laing.

Mr Martinean said: "The flotation will give Samax access to capital and a higher profile. Exploration is the excitement for oor future; our portfolio is already valnahle and a higher profile will increase the number of projects offered to ns."

The prospectus says that both tbe grapbite mine, at Merelani, some 14km sonth west of Kilimanjaro airport in Tanzania, and the gold mine, at Prestea in sonth west Ghana, are scheduled to begin commercial production in the first half of 1995.

The pre-tax net present value of the group's interest in these mines is calculated by independent consultants to be abont £33m.

Samax also has interests in mineral exploration projects in Tanzania, Ghana, Congo and Senegal. Mr Martinean said these projects were typically in areas where there was previous evidence of gold mining and where there was potential for economically recoverable reserves. Not enough work bas been done on these projects for any valne to be ascribed to them.

Heron's creditors stifle a yawn

Christopher Price finds financial interests have overcome apathy

Boredom has been among the higgest prohlems faced by the corporate financiers tryiog to stitch together the offer for Heron, which was published yesterday after five months of careful negotiations.

"Heron has been through so many crises, restructurings and meetings over the past three years tbat everyone involved is frankly hored to death with it," said ooe banker close to the negotiations.

"They just want the situation over with."

Not that any apathy over the proceedings interfered too greatly with the various parties' financial interests. Heron creditors are split into two basic groups. First, there are those who were the subject of yesterday's offer from HNV Acquisition – namely creditor banks, numbering around 30, several thousand boodholders and other shareholders of Heron Group. These are owed a total of £374m.

The second group comprises creditors of Heron's suhsidiaries, who are owed around £220m. HNV's bankers have secured the agreemeot of this group to the Heron restructuring, provided the main Heron creditors accept the offer on the table.

This group is divided into UK and Spanish property interests. There are about 35 creditors to the UK side, owed in tbe region of £120m. The 18 creditors to the Spanish interests are owed the balance.

The UK creditors to the subsidiaries were the easier of the two to bring oo board, according to sources close to tbe negotiations – partly because their loans are secured on a strong portfolio of properties, and also because several bankers belonged to both sets of creditor groups.

The offer document puts pro forma net assets for the UK business at £202m. However, the net asset figure for the Spanisb side only reaches positive territory after an agreed injection of some £17m from HNV oo completion of the deal.

Negotiations on this part of the deal were politely described as "strenuous" by one of tbe bankers present: "The Spanish were worried that they might lose mooey on this. There was some tougb talking."

That done, the deal must now be sold to the bankers, boodholders and shareholders of the parent company, some of whom face a second dilution of their investments in just over a year. Under a £1.3bn refinancing agreed in September 1993, the banks and boodholders had tbeir debt converted into senior and junior deht. The senior bank deht is about £120m, while the senior bond debt amounts to £180m. There is also some £74m of junior debt.

HNV is offering £450 in cash or 300 HNV shares for every £1,000 of senior bonds, £60 or 40 shares for every £1,000 of junior bonds and £7.50 or five shares for every 1,000 common shares.

HNV says it is "optimistic" partly because the banks concerned have been aware for some months of the terms proposed. A steering committee of the frootline lenders has been authorising Heron's hanking facilities.

It has also had access to the main details of the offer since the first document was pnhlished five weeks ago.

The attituda of the bondbolders is less predictable. It was their decision last April – insisting that Heron make a payment previously defaulted on – that precipitated the failure of tha refinancing and the company being put up for sale.

"We will definitely be analysing this document and letting bondholders know exactly what tbey are getting out of this offer," said Mr Gary Klesch, managing director of Klesch & Co, an investment group.

"It still doesn't look very attractive to us."

However, there are signs here too of weary investors wanting it all to come to some sort of conclusion. "Heron has been leaking so much money in fees while all this has been going on I'll be glad to get anything out of it," said one bondholder yesterday.

Privately both Heron and HNV are hoping, in the ahsance of more positive approval, that the apathy factor will play an important part in gaining approval.

Plight of the Heron

- August 1991: Gerald Ronson, founder, jailed for six months and fined £5m for his part in the Guinness fraud trial.
- October 1991: Bonds, which Heron issued extensively, reach trading lows in Zurich.
- January 1992: Ronson admits losing some £200m on US property market in past four years.
- March 1992: Debts reach £1.4bn on net assets of £585m. Heron asks banks and bondholders for all debts to be rescheduled.
- April 1992: Results to March 30 show first loss - of £100m - in the company's 28 year history.
- April 1993: Lord Boardman becomes Heron chairman; Ronson remains chief executive.
- May 1993: Ronson agrees £4m five-year salary package with Heron.
- September 1993: Debt rescheduling agreed. Ronson's ownership diluted from 100 to 5 per cent.
- April 1994: Heron defaults on payments to bondholders.
- May 1994: Bondholders demand payment; restructuring plan fails; Heron put up for sale.
- September 1994: HNVA, run by Steven Green, makes formal offer.
- November 1994: Detailed offer published.

Gerald Ronson
Former chairman and chief executive
Heron International

Rise and fall of a colourful empire

Mr Gerald Ronson built np the Heron empire from the 1960s, first through a move into petrol retailing and then into the UK property market in the 1970s. A colourful character, he was renowned for his charitable causes. He moved into the US property and financial services husinesses a decade later and it was the decline in that market in tha late 1980s which started Heron's problems, writes Christopher Price.

Heron moved into the booming American thrift husiness – the equivalent of Britisb building societies – by bnying Pima in the early 1980s. By 1984 Pima was claimed to be the fastest-growing financial institntion in its home state of Arizona.

Bnt from being potentially one of the group's biggest earners, Pima became a huge drag on its finances. By 1989 tha thrift industry had over-extended and collapsed as amhitious borrowers got into difficulties. Pima began to cost Heron some £40m a year: it was the business to which Guinness paid mnch of the £5.8m for Heron's support in the Distillers bid. Heron returned the mooey.

As dehts mounted, Mr Ronson was forced to sell assets, a protracted affair given the size and variety of his empire. The disposals included petrol stations, video distribntion, leisure interests and car distribution. This culminated with the sale of the Heron Motor Group for £16m, leaving just the property company.

Acquisitions help Danka advance 58% to £21.1m

By Richard Wolffe

Danka Business Systems yesterday announced a 58 per cent rise in interim pre-tax profits as the office equipment supplier continued its expansion across the US.

Tbe company, which is quoted in the UK but operates mainly in the US, reported pre-tax profits of £21.1m (£13.3m) on turnover up 67 per cent to £236m (£141.1m) in the six months to September 30.

The sales increase was underpinned by 17 acquisitions costing $21m (£13m) in the first half, and organic revenue growth of 14 per cent.

Mr Mark Vaughan-Lee, chairman, said Danka now held a 2.5 per cent market share in both the US and the UK, with the latter expected to double in the short-term. This year the company aims to establish operations in continental Europe and expects a 5 per cent market share within five years.

"If you are operating in Houston or London, the copier industry worldwide is absolutely standard. Wa feel our formula can he carried into any area," he said.

Overall profit margins were maintained as the company passed on manufacturers' price increases of about 5 per cent.

Margins on which stand at roughly 50 per cent.

Supplies and maintenance accounts for almost balf of turnover and the company claims revenue of $1,200 a month from the latest generation of colour copiers, compared with $80 from hlack-and-white copiers. Customers typically sign a one-year maintenance contract, which can be cancelled after three months' notice.

Net interest costs rose 46 per cent to £1.83m (£1.25m). Long-term bank loans rose 42 per cent to £62.5m (£44.2m) at September 30, when gearing stood at 134 per cent.

Earnings per share rose to 7.5p (5.5p) and the interim dividend is 0.9p (0.75p).

The company also announced the acquisition of American Business Equipment, an Ohio distributor of Sharp equipment, for $7.6m satisfied hy 1.62m shares. American reported pre-tax profits of $1m on turnover of $16m last year.

● COMMENT

Danka has a consistent track record of boosting profits and turnover through acquisitions in the fragmented US market. Whila the European photocopier market is just as fragmented, few US companies have achieved growth on the continent through acquisitions. Analysts forecast pre-tax profits ranging from £41m to the house broker's £45m this year, hnt these could flnctuate according to the strength of the dollar. The upper figure gives a p/e of 19, which is high considering tbe risks of the expansion strategy.

£5.2m purchase for Olives Property

By James Whittington

Olives Property is continuing its restructuring with a further acquisition and a rights issue.

The company yesterday announced it had agreed to buy a portfolio of properties from Burford Holdings for £5.2m, of which £4.2m will be paid in cash and the rest in shares.

The five retail warehouse and retail properties in the north west of England, which are all let, produce a total rental income of £471,650 a year, representing a net initial yield of 8.8 per cent. Total rental income, before the acquisition, was running at £1.86m a year, said Mr Tony Grant, Olive's chairman and joint chief executive.

In May, the company completed a £10.3m rights issue with which it acquired Huby Estates, a property investment concern in the north of England, and Zincshire, a privately owned property investment company with properties in Swindon and west London.

The latest buy will increase retail warehousing as a proportion of Olive's portfolio from 3 per cent to 14 per cent. Net portfolio worth after the acquisition will be £25m.

Olives recently reported pre-tax profits of £224,404 on turnover of £753,558 for the six months to June 30. Net assets increased from £5.51m to £15.5m, principally because of the rights issue.

Maanwhlla, Olives announced it had appointed Mr Geoffrey Lawson to its board as a non-executive director. Mr Lawson has extensive experience in the property sector.

C&W confirms £40m purchase of BT Marine

By Alan Cane

Cahle and Wireless, the UK-based telecommunications company, confirmed yesterday that it is buying the offshore cable-laying division of British Telecom, one of its higgest competitors.

C&W (Marine) will pay about £40m for BT (Marine). BT will remain a ship owner in the Atlantic Cable Maintenance Agreement.

BT (Marine) operates six ships and employs 450 people with a turnover of some £68m. C&W (Marine) has 740 staff and a turnover of around £80m. Its fleet of nine includes the world's largest cable-laying vessel, the Cable Venture.

BT is disposing of non-core activities in order to concentrate on global telecommunications services.

Mid-States plans fund raising and US quote

By James Whittington

Mid-States, the US motor parts distributor quoted on the USM, has announced plans to go ahead with a delayed issue of some $15m (£9.4m) in new ordinary shares in tha US along with the implementation of an American Depositary Receipt programme. It also plans to list on Nasdaq to expand its US shareholder base.

Shares in the company, which operates through its suhsidiary Mid-State Automotive Distributors of Nashville, Tennessee, rose 3p to 78p yesterday.

Mr Paul Dumond, company secretary, said the move to a US listing was because of "a general lack of interest from London investors in small US husinesses". The company might also seek a full quote in London.

The funds raised from the US issue will be used to pay off bank debts of $23m and to help the acquisition of distrihution centres and retail stores throughout the US. It booght two businesses in Mississippi for $2.8m in April.

Mid-States also reported a 21 per ceot fall in pre-tax profits for the third quarter to September 30, from £2m to £1.6m, £230,000 of which was attrihuted to the losses in acquired businesses. Turnover increased hy 28 per cent to £21.8m (£17.1m).

In the nine months turnover improved 22 per ceot to £58.7m (£48m) while pre-tax profits rose by just 5 per cent to £4.85m (£4.61m).

Earnings per share dropped to 2.7p (3.7p) in the quarter and to 7.4p (8.2p) for the nine mooths after an increased tax charge. There has been no dividend so far this year – a total of 0.75p was paid in 1993.

FT Managed Funds Service

From today, tbe Financial Times will no longer be publishing the cancellation price on unit trusts – the minimum redemptioo price. This follows changes announced by the Secnrities and Investmeots Board in September, designed to liberalise the industry's pricing structure.

Trusts no longer have to publisb cancellation prices, thongh these will still be available from fund managers, and from today are allowed to impose exit charges.

In place of tbe cancellation price, the FT will be pnblishing notes advising on exit and otber fund cbarges.

Calluna at premium

Shares in Calluna, disk drive manufacturer, sbowed a 42 per ceot premium to the flotation price of 65p when they closed at 92p on the USM yesterday – the first day of trading.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Danka Business ......int	0.9	-	0.75	-	1.5
Edinburgh Inca ......fin	0.04☆	Dec 21	-	0.04	-
Fleming Chinese ......fin	0.5	Dec 22	-	0.5	-
GBE ......int	0.5	Jan 3	-	-	1.25
Lowland Inv Co ......fin	6	Dec 21	5.8	9.3	9
Panther Secs ......int	1.1	Dec 5	-	-	-

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆ Maiden dividend.

NEWS IN BRIEF

RECRUIT, the employment agency owned by Mr Tony Berry, former chairman of Blue Arrow, has acquired Euro Professionals for £650,000. Euro Professionals and Recruit's recent acquisition, the Mary McCoombe agency, have a combined turnover of £4.25m.

SAFELAND has acquired 75 per cent of Sallmann Harman Healy, a commercial property auctioneer, for up to £495,000, including £247,500 which will become payable if SHH shares are sold in next year.

SEDGWICK GROUP's wholly-owned French credit insurance hroking company, Cahinet Billet, is to acquire Cabinet Dragon, a specialist credit insurance broker based in Aix-en-Provence.

SINDALL (WILLIAM) shareholders approved acquisition of Morgan Lovell and change of company's name to Morgan Sindall. Also, of the 4.41m new ordinary shares subject to the placing and open offer, 2.36m (53.6 per cent) were taken up. Valid applications were received in respect of 506,336 shares, or 19.9 per cent.

WORLD OF LEATHER: Of the 4.02m shares available in its recent 1-for-2 rights issue, 2.4m were pre-placed and 1.17m taken up representing 89.3 per cent.

Inspirations to launch own airline next spring

By Michael Skapinker, Leisure Industries Correspondent

Inspirations, the tour operator which floated on the Unlisted Securities Market last December, is to launch its own airline next spring.

The airline, to be called International Airways, will be run by Mr Eamonn Mullaney, former managing director of Caledonian Airways, British Airways' charter airline.

International Airways is to lease three new Airbus A320 aircraft, to be delivered in April 1995.

Mr Vic Fatah, Inspirations' chief executive, said the launch of the airline posed no threat to the company's future. He said other airlines which had run into trouble, such as Laker Airways, Air Europe and Dan-Air, had done so because of problems with scheduled services.

International Airways will operate only in the charter market.

Mr Fatah said Inspirations had decided to launch the airline because the price of chartering other companies' aircraft had risan in recent months. He did not think the increases were a temporary phenomenon.

The company said the three aircraft would accommodate nearly all Inspirations' winter customers.

Mr Mullaney said, however, that the aircraft would give Inspirations slightly more capacity than it needed for its own summer customers.

The reason for the disparity was that winter flying involved using the aircraft to reach long-haul destinations such as India. Summer flights were to destinations such as Palma in Majorca, which is near enough for one aircraft to make the same journey several times in a day.

The company would have no difficulty selling the excess summer seats to other tour operators, said Mr Mullaney.

The new airline would not be dependent on rival tour operators to fill excess capacity on its winter flights as all seats could, if necessary, be taken up by Inspirations' customers.

Mr Fatah said that Inspirations was on target to fulfil its flotation undertaking that it would acquire or start up 50 travel agency outlets in its first year.

He said the company had 47 retail outlets so far, which were being run by the travel agency chain AT Mays.

Looking forward to the end of the price war

James Buxton on The Herald's postponed float

Shockwaves from the newspaper price war have extended far beyond Fleet Street. For The Herald, the Glasgow-based morning paper, tba resultant loss of sales has helped postpone its stock exchange flotation, which was expected to take place in mid-1995.

Caledonian Publishing, the paper's owner, badly wants to escape the treadmill of heavy interest payments on the debt taken on when management bought the business from Lonrho in May 1992. Lonrho sold George Outram, as it was then called, for £74m in a deal organised by the marchant bank Robert Fleming, tha lead investor.

Liam Kane: still uncompetitive despite cost cutting

The company had to raise a further £20m for working capital and to buy the newspaper presses, which had been leased.

Though costly, the MBO was a cause for celebration in Scotland. A new Scottish company had been born and The Herald had escaped the clutches of an owner which did little to strengthen the business. But the past two and a half years have not been as successful as the buy-out team – led by Mr Liam Kane, chief executive – had hoped.

The Herald, founded in 1783, is one of Scotland's two quality dailies, mainly serving Glasgow and the west of Scotland. It is more cheerful and broad-minded than The Scotsman, whose heartland is around its Edinburgh base and whose circulation is more than 80,000 compared with The Herald's current 111,000.

Caledonian Publishing also owns the Evening Times, the Glasgow evening paper, and a number of magazines, including the Scottish Farmer. Its turnover last year was £59m.

After the buy-out Mr Kane, a former News International executive, embarked on strengthening the two newspapers and reducing their operating costs.

The company invested £2m in on-screen page make-up and in introducing new sections to The Herald, devoted to business, homes and gardens, jobs, property and sport.

The Evening Times launched a weekend newspaper.

A series of cut-backs in the advertising, circulation and production departments bave reduced staff numbers in the group from 1,045 at the time of the MBO, incurring exceptional costs of £11m. By the end of this year the headcount will have fallen to 813.

Yet The Herald's circulation has never regained the peak of 125,000 reached in February 1992. The newspaper dropped "Glasgow" from its titla but any benefit to sales was cancelled out by economic gloom. Average circulation in the year to September 1993 was 115,000 (119,500).

Despite expensiva TV advertising, The Herald has not made as much progress as it had hoped outside Strathclyde region, where sales now stand at about 30,000,

"Economic recovery is under way now but it is led by manufacturing rather than consumption," said Mr Kana.

Caledonian Publishing's operating profit fell from £10m in 1992-93 to £8m in 1993-94, with a drop in operating margin from 17 to 14 per cent.

In July Mr Kane told staff: "Despite a lot of work in reducing costs, we are still hugely uncompetitive compared with the newspaper groups we face in the daily battle for readers and advertisers."

He launched a further programme of cost cutting and redundancies, this time biting into The Herald's editorial department, and trimmed a staff pay rise.

Caledonian Publishing also had to go back to its banking syndicate, led by tha Royal Bank of Scotland, to borrow a further £5m. Although it has repaid £5.5m of the £43m it took on in 1992, it faced having to defer repayment of £2m because of its inadequate profit performance, and took on another £3m to cover further redundancies and other costs.

That means interest payments, which had declined from £6m in 1992-93 to £5.3m in 1993-94, will rise to about £5.6m this year.

The price war has only aggravated matters. Mr Kane says the cut in the price of The Times last year to 30p did not make much difference to The Herald; but this June the Daily Telegraph cut its price from 50p to 30p, followed by a further price cut by The Times and a cut by The Independent.

Though the bulk of the circulation of The Herald is protected because most of its readers buy it for its Scottish coverage, tha price war reduced the paper's sales by 2 per cent this summer. A cut in the The Herald's cover price was out of the question.

However, the largest single effect of the price war, says Mr Ron MacDonald, Caledonian Publishing's finance director, has been to reduce the price/earnings ratios of newspapers on the stock exchange. "Until there is a change of sentiment regarding national newspapers as well as regionals, then the Caledonian float can wait," he says.

It is projecting pre-tax profits of £5.8m for the current year and Mr Kane says there has recently been some improvement in advertising. A float next year, he says, is "still a possibility".

A flotation would have other benefits for The Herald. "I'm still waiting for them to deliver the product I know they are capable of, but don't seem to have the finance to achieve," says Ms Christine Tulloch, media director of Faulds Advertising, one of Scotland's leading agencies.

Biocompatibles considers offer despite imminent flotation

By Tim Burt

Biocompatibles International, the research company aiming to raise £40m from its imminent flotation, was yesterday said to be discussing a possible takeover offer.

The loss-making company, which has developed a new type of contact lens, was expected shortly to announce the pricing for its shares as part of a placing and intermediaries offer.

Directors of the company, however, have recently been considering proposals for a joint venture, merger or sale. The bid is thought to have emerged only after the publication last month of its pathfinder prospectus.

That showed that Biocompatibles, which describes itself as a manufacturer of medical devices rather than a biotechnology business, had accumulated losses of £9.77m at the end of June, and warned that investment in the company involved a bigher than normal degree of risk.

Robert Fleming, sponsors to the issue, said impact day had not been delayed, adding that "there had never been a fixed timetable for the pricing".

If the flotation goes ahead, the group is expected to have a market value of about £80m.

Of the £40m which is being raised, £25m will be placed firm, with the balance available to meet retail demand through intermediaries.

Panther makes £1.13m for six months

In its first results since taking over Etonbrook Properties in July, Panther Securities, the property company headed by Mr Andrew Perloff, reported pre-tax profits of £1.13m for the six months to June 30 against £707,354 for the year to December 31.

The result included a £920,000 profit on the disposal of shares in Cementone, formerly Multitrust.

Panther now has 85 per cent of Etonbrook. Mr Perloff said that although the acquisition had brought £2.5m in cash and £2.2m of uncharged properties before the minority interest, the benefits would not be apparent until the second half.

Turnover amounted to £3.47m (£3.28m for 12 months). Earnings per share wera 49.3p (33.8p) and an interim dividend of 1.1p is declared. A 1.6p final is anticipated.

Third promising treatment makes company one of best in sector

British Biotech new cancer drug

By Daniel Green

The first clinical trials of a new cancer treatment from British Biotech, revealed yesterday, showed that the drug has no significant side effects and triggers a potentially useful reaction in volunteers.

The drug, code-named BB-10010, is the third of British Biotech's cancer drugs to show promise in trials.

Tba success so far of the others, led by Batimastat, has made the company one of the best share-price performers this year in the UK and US biotechnology sectors.

Yesterday, the shares rose 18p to 598p, giving a market value of almost £300m, making it the tenth biggest in the UK and US sectors combined.

BB-10010 was tested on 36 healthy volunteers. As well as demonstrating its safety, tests on the volunteers showed that the number of white blood cells in the blood increased, as predicted in animal trials.

Quantitative measurements of this effect will be made at the next stage of trials.

The drug has two potential uses: to protect the bone marrow from damage during chemotherapy and to mobilise white blood cells so that they can be "harvested" from the blood before chemotherapy and reinjected afterwards. Currently, patients have bone marrow itself removed before chemotherapy and replaced afterwards, an awkward and painful treatment.

● Tepnel Life Sciences, the biotechnology company, has signed a marketing deal for its Daras technology, a product for screening DNA patterns in infectious diseases. Peers, the New York-based subsidiary of the Long-Term Credit Bank of Japan, will seek suitabla licensing or joint venture partners for Tepnel in Japan.

Improving the survival index

Daniel Green and Tim Burt analyse biotech investment prospects

Is the UK biotechnology sector now becoming respectable?

British Biotech has consolidated its position in the world's top handful of biotechnology companies by market value, and others, such as Celltech and Scotia, are making steady progress through clinical trials.

But investors have yet to be convinced.

British Biotech is alone among those joining the market in recent years to see its shares remain above the flotation price.

And the sister sector in the US continues to labour under the burden of poor sentiment.

Investor scepticism in the US has left companies there in serious financial difficulties. Accountants Ernst & Young say 50 per cent of the industry has sufficient capital only for the next two years.

In its latest biotechnology annual report, the firm has cut its survival index – the time until the cash runs out – for the median US company from 34 months to 25 months. Some 26 per cent of companies are scheduled to run out of cash within a year unless they can find new sources of finance.

This is happening at a time when investor confidence in the sector is at a low ebb.

There has been a series of failures three in the last two weeks alone – of drugs at the latest stages of clinical trials, when most of the uncertainties ought to have been eliminated.

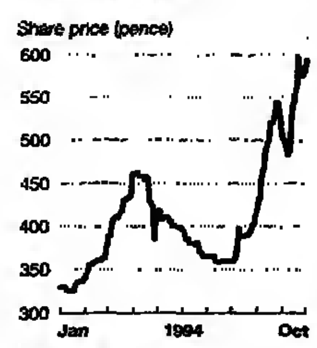
The consequence of failure is usually a slide in the company's share price and an unforgiving mood among investors, most of whom have yet to warm to the sector. Without the confidence of City or Wall Street investors, biotech companies have turned for funding to drugs companies. Deals have been concluded, for instance, between Celltech and Merck, Proteus and American Home Products, and Celltech and Bayer of Germany.

The strategy is risky because pharmaceuticals companies try to buy control of a biotechnology company's products.

Mr Bernard Taylor, chairman of the acquisitive drugs company Medeva, warns that biotech companies which seek support through alliances are "selling their birthrights".

Nevertheless, Mr Louis da Gama, executive director of the Bioindustry Association, says that "mergers and acquisitions are likely to be the dominant aspect of the industry over the next five years".

British Biotech



Source: FT Graphite

Biotechnology company executives recognise that strategic alliances may cost a company dearly in terms of lost future earnings.

They follow two simple strategies to limit the damage:

● Good news items about progress, however minor, in drug trials is published. Little effort is made to point out that success at the early stages means little.

Less than one third of drugs that successfully complete Phase 1 trials eventually become products, according to stockbroker Lehman Brothers.

● Drugs are pushed through trials quickly because the more advanced the clinical research, the higher the price it fetches in cash-raising negotiations. Some borderline drugs that might have been dropped by a larger company make it through to the late stages of testing. Only in the glare of large scale trials do they show up their weaknesses.

But these tactics risk lulling investors into thinking their company is doing better than it really is.

"Some UK biotech companies are asking us to accept 'good news' without so much as even a scientific meeting abstract let alone a peer reviewed publication," complains Mr Ian Smith, an analyst with Lehman Brothers.

He says that UK biotech companies are not as vulnerable to failure as many of their US rivals because they bave broader development portfolios.

Nevertheless, the statistics imply that some of the UK biotech sector's drugs that now look promising will fail at some stage.

The sector may be approaching respectability, but it is in its nature to continue to deliver a few nasty surprises.

Northumbrian Foods continues recovery

By Joan Gray

Northumbrian Fine Foods, the USM-quoted cake and biscuit maker, continued its recovery with an increase in interim pre-tax profits from £104,000 to £355,000, and may return to the dividend list once a group reorganisation is completed.

The recovery was helped by a continuing improvement in the manufacturing side, further growth in the distribution business and a five months' contribution from Jesse Oldfield, the cake maker NFF bought for £2.56m in April.

Operating profit for the six months to September 30 was ahead at £586,000 (£286,000), with £221,000 (nil) from acquisitions. Turnover was up at £12.3m (£8.09m), with acquisitions contributing £3.76m (nil).

The company is reorganising its structure to increase efficiency and reduce costs, said Mr Philip Wilbraham, chairman. This will also enable it "to resume dividend payments when appropriate earnings and gearing levels allow".

Earnings were 0.58p (0.28p).

GBE shares down to 33p after fall into red

Shares in GBE International, the engineering company, fell 5p to 33p, their lowest level of the year, following the announcement of losses for the first half of 1994 and the immediate departure of its finance director.

The company said its pre-tax loss of £3.95m, against profits of £1.08m, followed a review of its order book, costs and manufacturing processes. Turnover fell by £3.3m to £15m.

Mr Gerald Edwards, chairman and chief executive, said the company was now trading profitably but it would still be in loss at the year end. He added that he was optimistic for 1995.

Although losses per share were 5.53p (earnings 1.37p) an initial interim dividend of 0.5p is being paid and a final dividend of at least 1p is expected. Last year there was a single payment of 1.25p.

The core process engineering division suffered operating losses of £3.87m (profits £1.3m). Packaging profits improved from £6,000 to £158,000.

NEWS DIGEST

Campbell & Armstrong cuts losses

Campbell & Armstrong, the shop and office fitting group, cut pre-tax losses from £1.88m to £198,000 in the six months to June 30.

Turnover in the period rose by 8.6 per cent from £24.5m to £26.6m. Last year's figure, however, included £168,000 from discontinued operations. At the operating level there was a profit of £95,000, against a deficit of £912,000 last time.

The pre-tax outcome was helped by the absence of exceptional items – last year the company booked an £815,000 loss on disposal of a subsidiary undertaking, less a release of closure provisions of £78,000 made in 1991. The net interest charge rose from £228,000 to £293,000.

Losses per share came out at 1.4p (7.9p).

BPT/Harborne

Bradford Property Trust has increased its offer for Harborne Tenants from 230p to 260p per share, valuing the property investment company at £12.9m.

Harborne shareholders may elect to receive new BPT shares instead of all or part of the cash offer on the basis of 140 new BPT shares for every £260 payable under the offer.

They may also elect to receive £1 nominal of BPT loan notes for every £1 cash entitlement. Other conditions, including the preference offer, are unchanged.

The increased offer follows information relating to the recent revaluation of Harborne's properties.

Newport at £25,000

Newport Holdings, the property investment company which came to the market in March, had pre-tax profits of £25,000 in the three months to June 30. Net rents receivable amounted to £377,000 and earnings per share were 0.3p.

The company had previously stated that such a short trading period would not justify payment of an interim dividend.

Net asset value at the period-end was £6.26m. Two acquisitions made since then have increased net asset value by £630,000.

Van Diemen's Land

The Van Diemen's Land Company, the Australian pastoral company, has applied to the London Stock Exchange to cancel the listing of its ordinary shares with effect from 8.30am on November 14.

The move comes as a result of VDL's long-standing non-compliance with the rule that requires more than 25 per cent of the share capital to be in public hands.

Tasman Agriculture, VDL's majority shareholder, is to make the minority shareholders a cash offer for their shares following the delisting. The directors of VDL will then announce details of a rights issue to finance development of the Woolnorth farming assets.

Pascoe's cuts loss

Pascoe's Group, the pet food manufacturer, reported that the expected improvement in the six months to July 2 did not materialise. Mr Douglas Strachan, chairman, blamed "several unforeseen factors".

He added that the results reflected the costs of restructuring the business.

The shares closed at 30p, a fall of 25 per cent since before the results announcement.

On turnover of £4.36m (£8.31m), including £25,000 (£4.12m) from discontinued activities, pre-tax losses were halved at £1.26m (£2.5m). The result was struck after provisions of £609,000 (£1.13m) relating to property write-downs.

The company expects net assets to fall below half paid up nominal share capital and has arranged for a £400,000 convertible loan note to be issued to an existing shareholder, who will also underwrite the issue of new shares worth £225,000.

Losses per share were 8.57p (34.21p) or 6.61p fully diluted.

Macro 4

Macro 4, the systems software group, has acquired 844,000 ordinary shares in the company for cancellation at a price of 430p.

The share repurchase programme is being undertaken to enhance earnings per share. The shares closed 11p up at 434p.

Caverdale buy

Caverdale Group is acquiring its first multiple-franchise motor retail site for £250,000 cash. The Lincoln site comprises Volvo and Citroen franchises, with room for a third.

The deal also includes an adjacent one acre site with planning permission for a fourth franchise. The group will use this space initially for selling used cars.

The franchises will trade under the Godfrey Davis name.

Toye reduces loss

Reduced pre-tax losses of £138,957 compared with £247,313 were reported by Toye & Company, the maker of civil and military regalia, for the half year to June 30.

The company also said that in order to cut costs it was simplifying its structure by concentrating all its business through one principal trading company, Toye, Kenning and Spencer instead of the six at present.

Turnover amounted to £4.37m, against £5.8m including £893,635 from discontinued operations. Interest costs took less at £30,777 (£68,871). Losses per share were cut to 6.18p (11p).

Following a review of the associated companies, Weston Cap and Shipmate Flags, Toye has acquired the remaining assets and liabilities of both from the respective joint venture partners for a total of £32,000.

Rackwood advances

Pre-tax profits at Rackwood Mineral Holdings rose from £29,000 to £111,000 for the half-year to June 30, helped by a £283,000 profit on the sale of its Old Leyland Green Remainder site.

The opencast mining group had operating losses of £130,000, compared with profits of £250,000, on turnover down 44 per cent from £2.97m to £1.67m.

Earnings per share came out at 0.44p (0.18p), and there is no interim dividend.

FairBriar trims loss

Pre-tax losses at FairBriar, the property management group, were down 3 per cent for the half-year to June 30, at £1.51m compared with £1.55m.

Turnover, at £6.19m, was 2 per cent down on £6.31m last time. The figure relates to sales of properties covered by the limited recourse arrangements. The profit from properties covered by these arrangements is not recognised in the profit and loss account, but are used to reduce secured creditors' debt.

Losses per share came out at 7.9p (8.14p).

Lowland Investment

The net asset value per share of Lowland Investment Company was virtually unchanged over the 12 months to September 30 at 282.3p, against 282.4p a year earlier.

Net revenue was also static at £2.21m (£2.22m). Earnings came out at 9.4p (9.45p) and the proposed final dividend of 6p (5.8p) makes 9.3p (9p) for the year.

The primary objective of the trust, which is managed by Henderson Touche Remnant, is to give shareholders a higher than average income return of both income and capital over the medium to long term.

Abtrust New Thai

Abtrust New Thai Investment Trust had a net asset value per share of 210.12p at August 31 against 126.35p a year earlier and 179.08p at the February year-end.

Fully diluted, the values were 192.99p, 122.5p and 165.9p respectively.

Net revenue for the six months amounted to £219,887 (£98,857) for earnings of 1.46p (0.66p) per share.

ICD £1.09m ahead

International Communication & Data, the USM-traded marketing services and database group, reported pre-tax profits of £1.09m for the year to May 31, compared with a £4.92m loss for the 15 months to May 31 1993. The group returned to the black at interim stage, with a pre-tax profit of £191,000.

The £6m turnaround was partly the result of a substantial decrease in exceptional costs, which helped bring about an operating profit of £1.37m (£3.32m loss). ICD also made a £48,000 profit on disposal of The Database Group, compared with a £993,378 goodwill write-off during the previous period.

Earnings per share emerged at 2.2p (6.2p losses).

Edinburgh Inca

Edinburgh Inca Trust, the specialist Latin America trust launched in February by Edinburgh Fund Managers, had a net asset value per share of 56.55p at September 30.

That represents a 18.6 per cent improvement over the period from commencement of trading on April 5, and compares with an 11.4 per cent rise in sterling terms of tha benchmark IFCI Latin American Index.

Net revenue for the period was £71,000, which represented in the main interest received on initial cash balances following the trust's launch. This level of revenue would not be repeated in the coming year, the directors said.

Earnings per share emerged at 0.0863p. In accordance with the rules governing investment trusts, the company is obliged to pay a dividend, and a 0.04p distribution is recommended.

COMMODITIES AND AGRICULTURE

LME ready for US warehouses to stock copper

By Kenneth Gooding, Mining Correspondent

The London Metal Exchange seems certain to plug a big gap in its international coverage early next year by allowing its warehouses in the US to stock copper.

The US is the biggest consumer of copper in the world but it is also the second-largest producer. When the LME's first authorised warehouse was opened there in 1992 copper was excluded because, it was said, the LME did not feel the time was right to challenge the New York Commodity Exchange's copper contract.

There was another reason: copper at that time was traded in the LME "ring" in sterling while Comex copper was traded in dollars and this gave occasional arbitrage opportunities to LME traders. However, subsequent turbulence in the currency markets caused a change of heart among most London-based traders, so the copper contract was switched to dollars in July last year.

It was obvious then that it would not be very long before the LME put copper into its US warehouses, particularly as its present chairman, Mr Raj Bagri, was determined to enhance the exchange's international status. "There can be no no-go areas," he insisted.

Mr Bagri said yesterday at a ceremony to mark the LME's move to new premises in Leadenhall Street, in London's financial district, that the question of expanding the warehousing network was "at the top of the LME's agenda."

He would not say more but traders suggested last night that the topic might be raised at this month's board meeting after which there would have to be a 90 day "consulting" period before the move to put copper into the US could be confirmed.

The LME has spent £5m to refit its new premises, on which it has a 30-year lease, to produce a trading floor and auxiliary activities to suit its needs exactly. The traditional seats in the "ring" have been incorporated along with modern communications booths and small offices for members in an area twice as big as the LME's previous home in Plantation House, Fenchurch Street, a short walk away.

However, Mr David King, the chief executive, insisted that the LME had no present intention of changing its trading practices. For example, there were no plans to switch to all-day trading from the present methods – an inter-office telephone market and two open-outcry floor sessions. This is little different from the system the exchange used 100 years ago.

MARKET REPORT

Gold hits 9-week low

The GOLD price slumped to its lowest level in nine weeks yesterday as US investment funds' patience with the lacklustre market broke in a wave of selling, dealers said.

An an unusually long London fixing session ended with the price at $383.75 a troy ounce. It ended at $384.50, still $2.40 down from Friday's close.

"It goes to show that these funds can control this market completely and there is nothing you can do about it," one dealer commented.

London Commodity Exchange COFFEE futures slipped on what traders called a bearish private forecast for Brazil's 1995-96 crop.

Compiled from Reuters

N American wood-pulp prices raised again

By Bernard Simon in Toronto

Several North American wood-pulp producers have announced their fifth price rise of the year to levels that are roughly double those at the bottom of the cycle in mid-1993.

The producers plan to raise the price of northern bleached softwood kraft pulp, the industry's benchmark product, by US$50 to $750 a tonne on January 1. The increase, if successful, will bring prices to within striking distance of the record $840 reached in 1989.

The world pulp market has been buoyed by a strong rise in paper consumption, especially in Europe and South-east Asia, and by fears of a strike at pulp and paper mills in British Columbia. Demand is so strong that many North American producers are unable to meet their customers' full requirements. World-wide producer stocks have fallen by almost half from the peak reached last year.

According to the Canadian Pulp and Paper Association, Canadian pulp mills operated at 96 per cent of capacity during the first nine months of this year, up from 85 per cent in 1993. Shipments of market pulp to western Europe climbed by 21 per cent, to Japan by 39 per cent and to the rest of Asia and Africa by 49 per cent.

Analysts are divided on whether and for how long the price surge will continue. Mr Chip Dillon of Salomon Brothers in New York recently forecast that NBSK prices would peak at $960 a tonne in 1997. Like many other market watchers, however, Mr Dillon predicts a correction in early 1996, reflecting the start-up of two large new mills in Indonesia and a slowdown in the stocks build-up.

The unexpectedly steep climb in pulp prices last week led Kimberly-Clark, the Dallas-based papermaker, to cancel a plan to spin off its pulp mills in Ontario and Alabama into a new public company.

US plans food aid for former Soviet bread basket

By Alison Maitland

The US hopes to sign an agreement to provide Ukraine, once the Soviet bread basket, with $20m in food aid as a safety net in its transition to a market economy.

Mr August Schumacher, head of the US Department of Agriculture's foreign agricultural service, said in London yesterday that the aim was to avoid food shortages in the cities as agricultural reforms took effect. The agreement is expected to be signed when President Leonid Kuchma visits Washington at the end of this month. "We're exploring with Ukraine whether more will be needed, and we're hoping Europe will also be able to help," said Mr Schumacher, who spent last weekend in talks in Kiev.

He said the aid would be part of the World Bank/International Monetary Fund stabilisation programme for Ukraine. It was vital that Ukraine, with 53m people, should have fertiliser and seeds for spring wheat planting next year and foreign exchange to buy harvesting machinery and spare parts.

PNG miner expects Lihir gold lease soon

By Nikki Tait in Sydney

Niugini Mining, the Papua New Guinea-based company which is controlled by Canada's Battle Mountain Gold, said yesterday that it expected the crucial "special mining lease" which would allow the A$1bn-plus development of the Lihir gold mine to go ahead, to be issued before the end of the year.

The Lihir project, which is joint venture between Britain's RTZ and Niugini Mining and would become one of the world's largest gold mines outside of South Africa, has been clouded by uncertainly for the best part of a year as the PNG government has debated the project's structure, and tried to determine what stake local landowners should be given.

A break-through came in August, when Mr Paias Wingti, PNG's former prime minister, was replaced by Sir Julius Chan, who quickly indicated that priority would be given to resolving the situation. However, Niugini Mining'e statement yesterday – part of its quarterly operations report – was the firmest indication of the timetable now expected.

Niugini Mining said that the landowners' stake in the project would be met from the PNG government's share, which would be pegged at 30 per cent as originally planned. "Landowners are expected to respond to a government proposal concerning landowner equity in late-October," it said.

Financing for the project is expected to comprise a mix of debt and equity – again, in line with the original scheme. Niugini Mining said work on the equity issue, halted earlier this year, had recommenced.

Coffee recovery falls short of bonanza for Colombia

Improved returns will allow farmers to repay loans and renew plantations, writes Sarita Kendall

High coffee prices are bringing relief and recovery but it is too soon to talk about a bonanza, according to Colombian coffee growers.

Just as the National Coffee Fund will be able to pay off debts and move into the black, so too the farmers are planning to repay loans and renew plantations as they gather in the main harvest.

"Many of the farms here are in a poor state," says Mr Alberto Restrepo, director of the Risaralda coffee growers' committee. "But the small farmers, who make up 80 per cent of the producers in Risaralda, were not so badly affected by the crisis because they supply their own labour and grow their own food. Even so, the growers should be getting a bigger share of the international price so that production can recover quickly."

The support price paid to coffee growers in Colombia has been increasing steadily and now stands at the equivalent of about US$ 1.10 a pound. It is the most important of several instruments used by the government and the coffee growers' federation, Federacafe, to control production and protect farmers from the ups and downs of the international market. If the support price is too generous it can start another cycle leading to over-production.

Colombia's 1993-94 coffee harvest is estimated at 11.6m bags (60kg each), probably rising to 12.3m bags in 1994-95. Compared with the 1991-92 peak of more than 17m bags, these figures are low, largely because of the spread of broca disease, a low rate of plantation renewal and minimal use of fertiliser. About 50,000 hectares out of the total 1.1m devoted to coffee in Colombia have also been eradicated over the last two years.

However, some farmers have kept their plantations in good order. Luis Alberto Arcila, who has 3.5 ha under coffee on steep hillsides in Risaralda, co-ordinates one of the Federacafe farmers' groups in his area and has been learning how to live with broca, applying insecticide and a fungus he himself prepares.

The broca insect enters the coffee cherry about 100 days after flowering; in Colombia the plants flower so often that the producer has to pick the fruit constantly through the year to prevent broca infestation and this puts his costs up by about 8 per cent. Mr Arcila says that only 3 per cent of his coffee is affected by broca. Despite Federacafe's intensive education efforts, many farmers are less careful and some 10 per cent of Risaralda's crop is damaged.

"Now the price is better I'm working with more spirit. Last year I cleared one lot of coffee plants but I couldn't renew them because of the economic situation. With this harvest I can pay my debts and put something back into the farm," says Mr Arcila.

Although the previous two years were particularly lean ones for Colombia's 300,000 coffee producers, decades of investment in roads, electricity and social welfare programmes have given the coffee growing region a relatively high standard of living and low level of violence.

Now Federacafe is introducing "greener" methods using far less water for the de-pulping process and, instead of tipping the pulp on to valley slopes where it will contaminate streams, farmers are mixing it with other organic rubbish and worms to make rich humus.

"We're reforesting to protect the springs and watersheds. The only thing to do about the water problem is to educate, educate, educate," says Mr Restrepo.

"The spending cuts affected infrastructure projects but not the technical assistance programmes. The small grower here is technified and very receptive to new things like fish breeding ponds, rabbits, worms – everything."

Colombia's 1994 coffee income is forecast at over US$1.7bn, compared with US$ 1.2bn in 1993. Even the most conservative estimates suggest that next year's earnings will be above US$2 bn, which means that US$600m or more can be saved abroad for difficult times.

Over the past five years Federacafe has slashed all budgets, nearly halved its staff and cut marketing costs. As a result the federation – which handles about half the country's exports on average – is now as efficient as the private exporting companies.

The special commission set up to study Colombia's coffee sector recommended earlier this year that Federacafe should not play such a big part in exports. "The federation thinks that it's not possible to divorce marketing from stability; the commission wants to keep the domestic support price system in place, so we need a cash flow to maintain stocks and so on," says Mr Diego Pizano at Federacafe. "Missions from other producer countries have been coming to see how the Colombian model works. By managing three variables – support price, credit and technical assistance – we have control over the production level."

Production is well below the ideal level of 18m bags defined by the commission, but should reach this in 1996-97. With suppliers agreements covering over 13m bags and domestic consumption of about 1.5m bags, the 15m target is realistic, says Mr Pizano. But if prices drop again in two years' time and the revaluation of the peso continues, there could come a moment when Colombia's ability to compete will be seriously undermined.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1787-8	1809-10
Previous	1805-6	1827-8
High/low	1801	1830/1790
AM Official	1801-2	1821-2
Kerb close		1812-3
Open int.	260,046	
Total daily turnover	58,635	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1785-95	1820-5
Previous	1780-90	1815-25
High/low		1815
AM Official	1785-90	1820-5
Kerb close		1815-25
Open int.	2,726	
Total daily turnover	470	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	653-4	669-70
Previous	656.5-7.5	671.5-2
High/low	657.5	674/669
AM Official	657.5-8	673-3.5
Kerb close		670-1
Open int.	43,356	
Total daily turnover	5,374	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7195-205	7310-5
Previous	7218-28	7330-40
High/low	7275/7272	7390/7290
AM Official	7275-6	7380-5
Kerb close		7325-30
Open int.	67,355	
Total daily turnover	17,041	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5870-80	5955-60
Previous	5885-95	5970-80
High/low		5995/5960
AM Official	5905-18	5990-6000
Kerb close		5970-80
Open int.	19,255	
Total daily turnover	5,441	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1105.5-6.5	1127-8
Previous	1114-5	1135-6
High/low		1134/1125
AM Official	1111.5-2	1133.5-4
Kerb close		1127-8
Open int.	103,577	
Total daily turnover	14,062	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2664-5	2649-50
Previous	2679.5-80.5	2658-9
High/low	2684	2665/2640
AM Official	2683-4	2663-3.5
Kerb close		2653-4
Open int.	222,873	
Total daily turnover	61,944	

■ LME AM Official £/$ rate: 1.6226
LME Closing £/$ rate: 1.6336

Spot:1.6353 3 mths:1.6343 6 mths:1.6310 9 mths:1.6266

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Nov	123.90	-0.35	124.00	123.25	1,599	698
Dec	122.60	-0.85	123.00	121.78	41,227	7,599
Jan	121.90	-0.80	122.30	122.30	601	22
Feb	121.16	-0.75	121.10	121.10	575	10
Mar	120.25	-0.70	120.50	118.00	9,011	1,368
Apr	119.15	-0.70	-	-	701	21
Total					61,753	10,243

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	384.30-384.70	
Opening	387.10-387.50	
Morning fix	387.40	238.664
Afternoon fix	383.85	235.708
Day's High	387.40-387.80	
Day's Low	382.40-382.80	
Previous close	386.70-387.10	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.59	6 months	5.10
2 months	4.86	12 months	5.45
3 months	4.91		

Silver Fix	p/troy oz.	US cts equiv.
Spot	329.50	534.50
3 months	334.15	541.55
6 months	339.50	548.15
1 year	352.95	568.10
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	389-392	238-241
Maple Leaf	394.80-397.30	-
New Sovereign	90-93	55-58

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Nov	383.5	-3.8	-	-	3	3
Dec	384.9	-3.8	388.7	383.7	80,298	35,516
Jan	386.8	-	-	-	-	-
Feb	388.4	-3.8	392.3	387.0	20,755	2,359
Apr	392.2	-3.6	393.2	391.7	9,873	1,769
Jun	395.6	-3.8	398.0	395.0	9,681	77
Total					157,779	41,886

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Nov	418.7	-7.1	-	-	1	-
Jan	418.7	-7.1	428.0	417.5	20,208	1,497
Apr	423.0	-7.1	430.5	424.0	3,838	156
Jul	427.7	-7.1	-	-	1,292	62
Oct	432.4	-7.1	-	-	446	1
Jan	435.4	-7.1	-	-	2	-
Total					25,788	1,716

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Dec	159.80	-1.15	160.50	158.35	4,687	613
Mar	161.20	-1.15	161.50	161.00	2,278	361
Jun	162.20	-1.15	-	-	465	-
Sep	162.95	-1.15	-	-	31	-
Total					7,461	1,174

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Nov	524.2	-10.3	-	-	100	100
Dec	526.2	-10.5	538.0	525.0	73,704	17,330
Jan	528.8	-10.5	530.0	529.0	79	1
Mar	534.6	-10.6	545.0	534.0	18,141	1,654
May	540.5	-10.7	544.5	541.0	4,889	6
Jul	546.7	-10.7	555.5	547.0	4,109	7
Total					113,422	18,717

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	18.16	-0.05	18.33	18.14	91,975	42,915
Jan	18.01	-0.05	18.14	18.00	70,544	23,610
Feb	17.92	-0.02	18.01	17.91	35,571	7,418
Mar	17.82	-0.02	17.86	17.81	23,975	2,694
Apr	17.78	+0.01	17.85	17.77	18,035	655
May	17.72	-	17.72	17.72	11,883	1,796
Total					394,721	85,944

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	16.82	-0.10	17.08	16.76	80,073	27,752
Jan	16.62	-0.15	16.82	16.57	50,383	15,020
Feb	16.48	-0.13	16.65	16.48	15,674	2,310
Mar	16.44	-0.04	16.52	16.43	11,118	2,193
Apr	16.37	-0.04	16.37	16.37	5,012	977
May	16.38	+0.02	16.38	16.34	3,957	1,976
Total					N/A	58,448

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	49.30	-0.01	49.70	49.10	6,688	9,697
Dec	49.50	-0.03	49.95	49.45	46,924	14,146
Jan	50.10	-0.08	50.55	50.10	32,350	3,741
Feb	50.65	+0.02	50.85	50.60	21,252	2,072
Mar	50.45	+0.02	50.55	50.45	10,779	1,031
Apr	49.90	-	-	-	7,389	339
Total					168,371	31,682

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	150.50	-1.00	152.75	150.50	28,865	4,998
Dec	152.25	-0.75	154.00	152.25	27,246	4,283
Jan	154.00	-0.50	155.25	153.75	21,168	1,200
Feb	155.00	-0.50	156.00	155.00	8,566	94
Mar	155.00	-0.75	156.25	155.00	7,447	67
Apr	153.25	-0.75	153.25	153.25	2,426	5
Total					104,361	10,638

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	1.960	-0.032	1.975	1.946	29,399	7,624
Jan	2.080	-0.014	2.085	2.065	18,013	2,326
Feb	2.020	-0.008	2.020	2.010	12,306	1,546
Mar	1.860	-0.012	1.860	1.860	12,856	752
Apr	1.890	-0.013	1.890	1.890	6,925	384
May	1.895	-0.009	1.900	1.890	6,637	184
Total					132,198	14,167

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	58.60	+0.24	60.10	57.25	8,284	14,656
Dec	59.60	+0.31	60.10	59.25	27,778	19,258
Jan	56.60	+0.10	57.00	56.44	16,929	5,153
Feb	55.30	+0.01	55.50	55.20	6,339	1,266
Mar	55.80	-	-	-	3,881	349
Apr	58.70	-0.19	59 10	58.70	4,577	123
Total					79,435	41,016

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	105.00	-0.25	106.40	105.00	601	48
Jan	107.05	-0.25	107.30	107.10	1,985	62
Mar	109.10	-0.20	109.30	109.10	1,592	60
May	111.00	-0.20	111.20	111.00	1,572	43
Jul	112.85	-	-	-	140	-
Sep	96.50	-0.15	-	-	40	-
Total					6,518	213

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	384/4	-7/0	391/4	384/0	38,139	11,428
Mar	395/0	-6/6	401/2	394/4	24,715	5,718
May	374/6	-4/4	379/4	374/4	4,386	421
Jul	346/4	-4/4	350/4	346/0	10,120	1,480
Sep	351/0	-3/4	353/4	351/0	258	26
Dec	361/4	-4/0	361/6	361/2	146	1
Total					77,779	18,873

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	215/6	-1/0	216/4	215/4	117,496	20,357
Mar	228/6	-1/2	228/0	226/4	81,154	7,658
May	234/6	-1/0	235/6	234/4	24,808	1,973
Jul	240/4	-1/0	241/4	240/2	31,922	2,934
Sep	245/6	-0/6	246/4	245/2	2,786	231
Dec	250/4	-0/4	251/0	250/0	13,652	796
Total					283,897	34,068

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	101.20	-0.05	101.25	101.25	145	8
Jan	103.50	-0.30	-	-	416	-
Mar	105.50	-0.65	-	-	130	-
May	109.15	-	-	-	49	-
Sep	93.00	-	-	-	5	-
Total					744	8

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	542/2	-4/4	546/6	541/4	24,412	24,733
Jan	554/0	-4/6	558/6	553/0	54,863	27,297
Mar	564/0	-4/6	568/4	563/4	24,062	4,974
May	572/2	-6/2	577/0	571/6	11,621	2,132
Jul	579/0	-5/0	582/6	577/6	20,258	3,106
Aug	581/6	-5/4	586/2	581/6	1,637	462
Total					145,114	64,633

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	25.66	-0.89	26.48	25.57	38,044	14,306
Jan	24.82	-0.76	25.37	24.65	16,441	4,685
Mar	24.34	-0.61	24.65	24.20	13,297	3,625
May	24.05	-0.55	-	23.90	12,408	2,088
Jul	23.82	-0.55	24.20	23.75	6,840	1,735
Aug	23.80	-0.50	24.10	23.70	2,300	89
Total					95,029	28,014

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	160.8	+0.7	161.4	160.1	43,993	17,513
Jan	162.2	+0.4	162.8	161.8	18,108	4,529
Mar	165.6	+0.1	166.4	165.5	15,049	2,456
May	169.2	+0.2	170.1	168.8	8,629	910
Jul	173.3	-	174.4	173.0	8,579	1,963
Aug	175.1	+0.3	175.0	174.8	1,203	83
Total					100,362	27,976

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	150.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	224.3	-1.0	227.0	224.0	1,432	67
May	242.5	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,432	67

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	1672	+1	-	-	458	-
Nov	1810	+10	1826	1820	319	15
Dec	1730	+27	1735	1725	330	17
Jan	1668	+13	1675	1660	1,139	26
Apr	1625	+15	1630	1621	891	4
Jul	1464	+16	-	-	137	-
Total					3,289	62

	Close	Prev
BFI	1670	1671

Tea
Landed teas met good general demand, reports the Tea Brokers' Association. Assams came to a firm market apart from plainest sorts. Brightest Kenya and Burundi teas sold well at fully firm to dearer rates, particularly pd's. Below best sorts and coloury mediums were irregular and barely steady. Ceylons met improved demand with brighter bop's selling well at dearer rates. Other sorts were irregularly easier. Offshore: good demand with brighter teas fully firm. Plain Ugandas were unwanted. Quotations: best available 200p/kg, good 140p/kg, good medium 120p/kg, medium 110p/kg, low medium 88p/kg. The highest price realised this week was a 205p/kg for an Assam pf.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	955	-3	968	954	21,242	1,030
Mar	983	-3	995	982	43,741	1,678
May	992	-4	1004	991	14,663	333
Jul	1006	-5	1015	1009	6,356	33
Sep	1018	-5	1032	1019	12,505	118
Dec	1037	-	1036	1035	8,628	12
Total					113,065	3,296

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	1327	-6	1348	1323	26,479	3,717
Mar	1372	-6	1392	1368	25,723	2,965
May	1398	-8	1414	1395	8,449	335
Jul	1425	-8	1436	1430	3,028	27
Sep	1452	-8	-	-	1,303	2
Dec	1479	-6	1494	1494	4,978	-
Total					74,611	7,123

■ COCOA (ICCO) (SDR's/tonne)

October 28	Price	Prev. day
Daily	992.42	1002.64

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	3417	-71	3450	3390	2,921	1,219
Jan	3457	-31	3458	3405	11,342	1,941
Mar	3429	-25	3428	3390	8,324	1,202
May	3413	-26	3401	3380	3,108	76
Jul	3380	-45	-	-	1,340	-
Sep	3370	-38	-	-	1,461	-
Total					18,888	4,440

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	187.40	-2.10	167.90	186.10	12,006	2,896
Mar	192.35	-1.95	192.75	190.10	12,746	888
May	193.75	-2.75	194.75	193.00	5,013	184
Jul	195.50	-2.50	195.75	195.00	1,598	15
Sep	195.40	-2.80	167.25	196.00	911	19
Dec	196.75	-2.25	197.75	196.75	878	95
Total					33,278	4,298

■ COFFEE (ICO) (US cents/pound)

October 28	Price	Prev. day
Comp. daily	179.49	180.96
15 day average	183.08	183.29

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	13.00	-	-	-	90	-
Mar	12.95	-0.04	-	-	400	-
May	13.08	-0.05	-	-	450	-
Jul	13.02	+0.02	-	-	-	-
Total					940	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	355.10	+1.30	356.50	353.50	3,106	475
Mar	347.80	+1.10	348.00	345.90	9,234	1,288
May	346.50	+1.50	347.10	344.50	2,911	746
Aug	343.40	+1.40	343.80	342.50	2,840	40
Oct	320.20	+0.10	321.30	318.60	896	71
Dec	319.10	+0.10	-	-	14	-
Total					18,886	2,620

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	12.80	-0.03	12.87	12.73	67,630	11,240
May	12.83	-0.04	12.89	12.76	25,377	3,416
Jul	12.71	-0.02	12.78	12.65	15,105	1,073
Oct	12.31	-0.04	12.87	12.27	13,371	1,031
Mar	11.90	-0.02	11.90	11.90	1,864	75
May	11.90	-0.02	11.95	11.95	44	-
Total					153,418	16,842

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	72.25	+0.30	72.70	71.70	23,505	5,929
Mar	73.50	+0.25	73.90	73.00	15,817	1,629
May	74.50	+0.15	74.80	74.07	6,915	1,166
Jul	75.30	+0.27	75.30	74.75	4,104	130
Oct	70.55	-0.05	-	-	536	1
Dec	69.67	-0.03	69.75	69.55	2,778	213
Total					53,477	9,076

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	105.90	+1.15	107.00	102.00	1,349	580
Jan	110.00	+0.85	112.50	108.30	13,432	1,003
Mar	113.75	+0.95	115.00	109.75	5,228	142
May	116.40	+0.40	117.25	114.75	1,419	4
Jul	118.90	+0.90	120.75	117.50	875	3
Sep	122.40	+1.15	124.20	124.00	543	10
Total					24,982	1,852

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Oct 31	Oct 28	month ago	year ago
2105.5	2104.9	2077.4	1610.3

■ CRB Futures (Base: 1967=100)

Oct 28	Oct 27	month ago	year ago
234.48	234.96	229.85	218.39

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	70.000	+0.050	70.100	69.550	30,275	5,926
Feb	69.050	+0.175	69.100	68.625	20,288	2,034
Apr	69.900	+0.275	69.975	69.450	12,908	2,486
Jun	65.975	+0.075	66.075	65.700	4,313	434
Aug	64.975	+0.200	65.025	64.650	1,409	57
Oct	65.650	+0.150	65.650	-	257	8
Total					69,458	10,937

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	35.275	-0.125	35.450	34.800	17,328	4,715
Feb	37.950	-0.075	38.150	37.800	8,188	1,952
Apr	37.975	-0.025	38.000	37.650	4,571	822
Jun	42.900	-0.100	42.900	42.550	2,121	289
Aug	42.150	-0.050	42.150	41.975	371	49
Oct	38.950	-0.150	38.950	38.900	310	23
Total					33,545	7,916

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	42.675	+0.225	42.975	41.800	8,719	3,819
Mar	42.950	+0.300	43.000	42.050	1,297	512
May	44.050	+0.400	44.100	43.250	312	108
Jul	44.750	+0.375	44.800	44.000	318	95
Aug	43.950	+0.450	43.950	43.400	74	7
Total					10,721	4,538

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Dec	Mar	Dec	Mar
1800	54	95	51	80
1825	43	84	64	93
1850	33	73	79	107
■ COPPER (Grade A) LME	Dec	Mar	Dec	Mar
2600	112	129	47	93
2650	83	104	68	118
2700	60	83	95	146
■ COFFEE LCE	Jan	Mar	Jan	Mar
3500	225	310	268	381
3550	206	293	299	414
3600	189	278	332	449
■ COCOA LCE	Dec	Mar	Dec	Mar
925	36	89	8	31
950	20	74	15	41
975	10	61	30	53
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1600	94	107	10	106
1650	53	75	18	74
1700	26	54	41	54

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Dec)

		+or-
Dubai	$15.42-5.54z	-0.09
Brent Blend (dated)	$17.03-7.05	-0.14
Brent Blend (Dec)	$16.76-6.78	-0.14
W.T.I. (1pm est)	$18.02-8.04z	-0.14

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

		+or-
Premium Gasoline	$181-184	
Gas Oil	$181-168	-2.5
Heavy Fuel Oil	$96-98	+2.5
Naphtha	$169-171	-1.0
Jet fuel	$177-178	-3.0
Diesel	$158-159	-2.0

Petroleum Argus. Tel. London (071) 359 8792

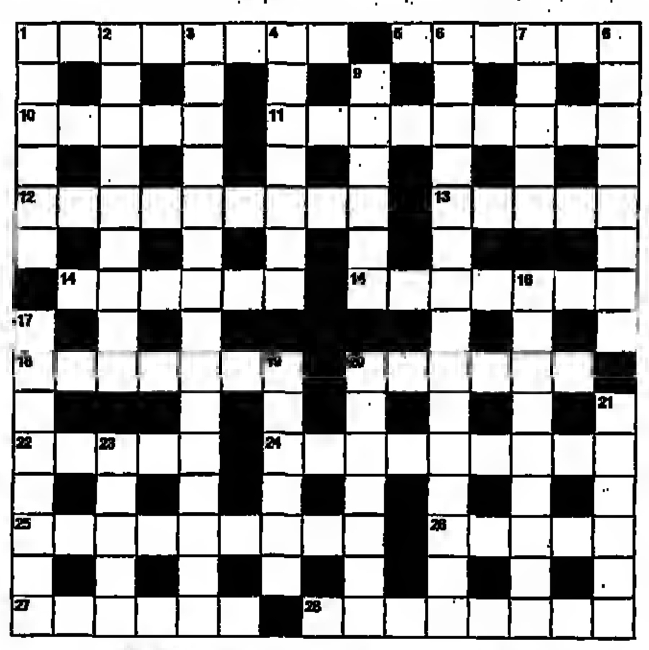
■ OTHER

		+or-
Gold (per troy oz)♣	$384.50	-2.40
Silver (per troy oz)♣	527.5c	-8.5
Platinum (per troy oz.)	$420.10	-3.10
Palladium (per troy oz.)	$158.90	-0.85
Copper (US prod.)	129.0c	
Lead (US prod.)	40.25c	
Tin (Kuala Lumpur)	15.01c	+0.12
Tin (New York)	276.5c	
Cattle (live weight)†	115.87p	-1.87*
Sheep (live weight)†♦	98.12p	+6.82*
Pigs (live weight)	71.29p	-1.81*
Lon. day sugar (raw)	$320.00	-1.30
Lon. day sugar (wte)	$361.00	+3.00
Tate & Lyle export	£308.00	
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	Unq.	
Wheat (US Dark North)	Unq.	
Rubber (Dec)♥	86.75p	
Rubber (Jan)♥	86.25p	
Rubber (KL RSS No1 Jul)	341.5m	-2.0
Coconut Oil (Phil)§	$647.5v	
Palm Oil (Malay.)§	$647.5t	+2.5
Copra (Phil)§	$416.0v	
Soyabeans (US)	£163.0v	
Cotton Outlook'A' Index	75.70c	-0.10
Wooltops (64s Super)	451p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Oct/Dec. v Nov/Dec. u Oct/Nov. z Dec. t Nov. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♦ Sheep (Live weight prices). * Change on week © Prices are for previous day.

CROSSWORD

No.8,599 Set by HIGHLANDER



ACROSS

1 Not there after source of water is drunk (4,4)
5 Mark is becoming a fish out of water (6)
10 Reason for detailed record taking in court initially (5)
11 Frightened to show quarter in a loose maul (9)
12 Settled second NEC amendment (9)
13 Indigenous African emperor holds the key (5)
14 Hardly ever depend on artist (6)
15 Secret member of the army (7)
18 Central Europeans uttered bills of exchange (7)
20 First application for schoolbook (6)
22 Award for particularly large vehicle (5)
24 The French intend to take the German chap from Arctic Circle (9)
25 She looks after children produced, one hears, by sister perhaps (9)
26 Retired from fashionable foundation (2,3)
27 Oppose broadcasting rise that's on the way (6)
28 Textile workers provide some bowlers (8)

DOWN

1 Perhaps Raleigh went west to diversity (6)
2 Part of journey is delayed by pass laws (9)
3 Locates new living areas near to each other (3,5,5)
4 Expert in any form of general disorder (7)
6 Escalation in numbers provided one action is misrepresented (15)
7 Virus gets on top of half Ring cast (5)
8 Assume control of profits on deliveries for lords (4,4)
9 Take Mickey direct to university (4,2)
16 A repair by expert can be changed (9)
17 Glass vessel (8)
19 Unfortunately turns up with morning greeting for Muslim (6)
20 Spoke out in high pitch to signal arrival of sweet (turnover) (5,2)
21 Deals with some of the extra design requirements (6)
23 Body of men – or body of man with foot amputated (5)

Solution to Saturday's prize puzzle on Saturday November 12.
Solution to yesterday's prize puzzle on Monday November 14.

هكذا من الأصل

LONDON STOCK EXCHANGE

MARKET REPORT

Share prices below the best following US data

By Terry Byland,
UK Stock Market Editor

Economic data from the US dominated the London market yesterday, and although an attempt was made to break away above the FT-SE 3,100 mark, shares backed off when Wall Street fell at the opening of the new session. Once again, trading volume was very thin, causing increased volatility in London stocks.

The FT-SE 100-share Index closed 13.6 up at 3,097.4, having moved towards 3,100 at the finish as markets steadied after an initially bearish reaction to rises in the Chicago Purchasing Managers' Index and in US personal incomes, both seen as inflation threatening.

Nervousness over inflationary pressures on interest rates were heightened in London after the announcement of a 7.3 per cent gain in domestic MO money supply, and a modest rise in the British Purchasing Managers' prices index set the scene for further important developments this week.

Today brings publication of the Bank of England's Quarterly Bulletin, and the monthly meeting between the chancellor of the exchequer and the Governor of the Bank of England takes place tomorrow.

Some analysts halieva that the chances that UK base rates will be raised before the end of the year have increased as economic data in the US has suggested that economic expansion is bringing inflationary pressure in its train.

However, Richard Jeffrey at Charterhouse Tilney said he did not believe that a further policy tightening in the UK "would be valid" at the moment. Inflationary pressure, he noted, is coming chiefly through commodity prices, over which the UK authorities have no control.

Base rate worry cut into UK bond prices and this undermined a brave start hy equities which took the Footsie index to within a few points of 3,100 in very early deals. The domestic economic data helped to reverse early gains and push the Footsie briefly into negative territory, taking it down to 3,079.

However, a strong stock index futures market soon took underlying equities ahead again. By mid-session the market was comfortably through tbe 3,100 harrier with a gain of nearly 28 points on the Footsie.

The negative reaction from Wall Street and the US bond markets to the Chicago Purchasing Managers' Index soon undermined markets in Europe, and the advance in the London market was checked, share prices briefly losing about one-third of early gains before the Dow Jones Industrial Average steadied. The Dow index had trimmed its fall to around 8 points when London closed for the day.

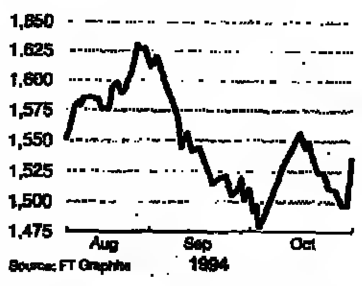
Traders shook their heads over another volatile session which had seen the market move through a range of more than 30 points, in both plus and minus trends on tbe Footsie, yet still hrought disappointing turnover.

Seaq volume was down to 486.7m shares from Friday's total which exceeded 500m. Renewed strength in the utility stocks, seen as candidates for further share buybacks or special dividends, hoosted the FT-SE Mid 250 Index, which moved forward 15.3 to 3,516.9. But the hlue chips, discouraged by the dollar's lack of vitality, focused around prospects for company trading news.

Oil shares were strong as higher crude prices and Wall Street's response to good statements from the US oil majors set the scene for trading results dua tbis morning from British Petroleum. Shares in BP hit new highs in sterling and dollar terms yesterday, fuelled by bopes for good news on the dividend front.

A further easing in the British Aerospace shares, while VSEL remained just under the GEC offer price, suggested that the market is assuming that GEC will emerge as the winner from the bid duel.

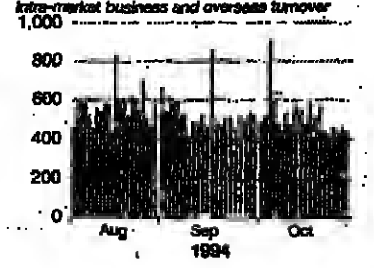
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3097.4	+13.6	FT Ordinary index	2351.9	+6.8
FT-SE Mid 250	3516.9	+15.3	FT-SE-A Non Fins p/e	18.87	(18.79)
FT-SE-A 350	1551.1	+6.8	FT-SE100 Fut Dec	3109.0	+8.0
FT-SE-A All-Share	1536.31	+6.46	10 yr Gilt yield	8.83	(8.76)
FT-SE-A All-Share yield	3.93	(3.94)	*Long gilt/equity yld ratio:*	2.24	(2.23)

Best performing sectors		**Worst performing sectors**	
1 Electricity	+2.1	1 Life Assurance	-0.7
2 Water	+1.9	2 Diversified Inds	-0.5
3 Merchant Banks	+1.4	3 Retailers, Food	-0.4
4 Utilities	+1.3	4 Gas Distribution	-0.3
5 Telecommunications	+1.1	5 Property	-0.a

Utilities extend gains

Water and electricity stocks left the rest of the market far behind as domestic and overseas institutions chased both sectors, responding to yet more bullish hroker circulars, the prospect of more big special dividends from the recs, and on hopes of bumper results and dividends from the watar stocks.

There was one notable casualty in the recs in Manweb, whose shares, vary strong early in the session, came under pressure following news of the resignation – "by mutual agreement" – of its finance director Mr John Astall.

Other recs, although generally closing below their best levals, still displayed hefty gains, with those perceived as strong candidates to deliver special one-off dividends heavily bought. Southern, np 28 at 800p, was seen as one of the favourites for such a move, as was Eastern, up 30 at 796p.

James Capel was said to have been the latest broker to recommend the water sector, following last week's positive notes from BZW, UBS and Credit Lyonnais Laing. Thames Water opens the water sector reporting season this morning, with the market looking for an interim dividend of at least 8p, a rise of around 8 per cent. Thames put on 10¼ at 532p. Severn Trent jumped 14 to 573p and Southern 12 to 608p.

Vickers hint

Vickers made rapid progress after an uncertain start. Down to around 164p in early trading, the shares subsequently began to move ahead on strong support prompted by a positive circular published hy Robert Fleming Securities. Tbey closed 5 higher at 172p.

Another bull story in Vickars was that the company may conclude a joint venture with Germany's Daimler Benz hy the end of tbe year in the development of new Rolls-Royce cars. Specialists said they expected Daimler to buy a 20 per cent stake in Rolls-Royce Motor Cars for around £40m to £50m and eventually increase the bolding to 49 per cent.

Demand for Hanson

International conglomerate Hanson was among the most heavily traded stocks in London as tbe shares received support from reports of higher commodity prices.

Analysts said that the price for polyetbylene. whicb is manufactured hy Hanson subsidiary Quantum, had increased hy five cents a pound. The fundamental firmness combined with an increasingly attractive yield has been encouraging buying interest after a steep slide since the start of the month. The shares firmed a penny to 231p, with 7.5m traded.

Kwik Save hit

Stores group Kwik Save slid 9 to 546p as securities houses stressed their sell stance ahead of figures on Thursday. There is a market consensus for full-year profits of around £130m, and Yamaichi's Mr Bill Myers echoed the thoughts of several when be said many superstore majors now offer what Kwik Save alone used to offer.

In a sell recommendation which hit client's desks yesterday, Mr Myers said: "Witbout a change of strategy, profits are set to plateau at about £130m for many years."

J. Sainsbnry, which also reveals figures tbis week, slipped 3 to 398p oo concern over the price fighting among the leading food retailers. Analysts expect interim profits tomorrow to come in around £445m.

Calluna, the Scottish-based designer and manufacturer of miniature hard disk drives, made an impressive stock market debut. The shares, placed at 65p, and sponsored by Albert E. Sharpe, the Midlands stockbroker, opened at 87p and raced up to close at 92p, with 9.6m changing hands.

The current vogue for on-market share huybacks continued as Macro 4 shares moved off their 1994 low point of 423p, closing 11 higher at 434p after the company instructed its broker S.G. Warburg to huy in 1.1m shares, or just under 5 per cent of its issued capital. Just before the close of trading Macro announced it had bought in 844,000 shares at 430p.

The market's 100-points plus upsurge over the past three sessions injected renewed confidence in the financial sectors where recently battered merchant banks and investment management groups attracted keen interest.

Hambros, which followed SG Warburg in announcing a profits warning early last month, extended Friday's strong performance, closing a further 6 higher at 234p while SG Warhurg put on the same amount to 612p. Kleinwort Benson rose 7 to 488p and Schroders 30 to 1365p. Edinburgh Fund Managers jumped 14 to 723p, M & G Group 22 to 955p and Mercury Asset Management 14 to 628p.

Switcbing out of Abbey National and into TSB, thought to have been triggered by Credit Lyonnais Laing, saw the latter move up 7 to 226p and the former 5 lower at 416p.

The two quoted Premier League football cluba gave good performances on the stockmarket as well as on tha field. Manchester United moved up 12 to 657p after closing the gap on the premiership leaders and ahead of their European Champions League match against Barcelona on Wednesday. Tottenham edged up 6 to 124p.

British Aerospace tumhled 11 to 446p with one dealer taking the view that the VSEL bid saga "Is all over har the shouting; BAe has been outmanouvred hy GEC."

Brewer Whitbread jumped 15 to 172p as some chart-based analysts argued that the stock had broken through into a new trading range.

Property and shipping company P&O improved 10 to 636p with dealers reporting a good two-way pull on the stock ahead of the official opening of the Channel Tunnel. Traders said that investment institutions were taking a stand on the effect that the Channel would have on ferry traffic and dealing accordingly.

A certain amount of bear closing saw troubled channel tunnel gronp Eurotunnel bounce 4 to 235p in the Units.

Transport group NFC suffered sligbtly after it was announced that its former chief executive Peter Sherlock is suing the company for £1.3m in compensation. The issue is unlikely to hit profits but did dent sentiment and the sharesz dipped to to 178p. NFC also said it was in talks with John I Jacobs to sell some of the assets of its BRS car delivery unit. Jacobs shares gained 4 to 63p.

Shares in Daily Mail Group fell 30 to 983p in the 'A's after tbe monopolies and mergers commission blocked its proposed acquisition of T. Bailey Forman publisher of the Nottingham Evening Post.

MARKET REPORTERS:
Steve Thompson,
Peter John.

■ Other statistics, Page 28

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (22).
GILTS (1) BUILDING & CNSTRN (1) Vibroplant, DISTRIBUTORS (3) Adam & Harvey, Ideal Hardware, Norbain, DIVERSIFIED INDLS (1) Mitsubishi, ELECTRNC & ELECT EQUP (1) Magnum Power, ENGINEERING (3) Black & Decker, Lincat, Spirax-Sarco, INVESTMENT TRUSTS (2) Gartmore Value Zero Prf., Second Cndd., LEISURE & HOTELS (1) David Lloyd, OIL EXPLORATION & PROD (2) Aviva, Gulfstream Res., OIL, INTEGRATED (1) BP, OTHER FINANCIAL (2) Edinburgh Fund Mngrs., Jupiter Tyndall, OTHER SERVS & BUSNS (1) Anglo-East Plants., PHARMACEUTICALS (2) Astra, Brit Biotech Wts., TEXTILES & APPAREL (1) Bridport–Gundry.
NEW LOWS (68).
GILTS (1) BUILDING & CNSTRN (2) Ball (AH), Morgan Sindall, BLDG MATLS & MCHTS (1) Hewitt, DISTRIBUTORS (3) Glenchewton, Persons, Young (H), DIVERSIFIED INDLS (1) Powell Duffryn, ELECTRNC & ELECT EQUP (1) Bick, ENGINEERING (8) Aromascan, Carclo, GBE, Hunting, Johnson & Firth, Locker (T) A, McKechnie, OMI, Rubicon, EXTRACTIVE INDS (2) Ayer Hitam, Rockwood, FOOD MANUF (5) Albert Fisher, Canadian Pizza, Devro, Pascoe's, Usborne, HEALTH CARE (2) AAH, Haemocell, HOUSEHOLD GOODS (1) Cornwell Parker A, INSURANCE (1) PWS, INVESTMENT TRUSTS (7) INVESTMENT COMPANIES (2) LEISURE & HOTELS (2) Airtours 6%p Pf, Trnng, MEDIA (2) Interurope Tech., Trinity, OIL EXPLORATION & PROD (1) LASMO Ops, OTHER FINANCIAL (3) Intermediate Cap., Towry Law, Union, OTHER SERVS & BUSNS (1) Eseste, PRTNG, PAPER & PACKG (3) AG, Bemrose, Inveresk, PROPERTY (8) Daejan, London & Metro, Olives, Peel, Regalian, Savills, Scottish Metro., Speciality Shops, RETAILERS, FOOD (1) Nurdin & Peacock, RETAILERS, GENERAL (1) Sothebys, SUPPORT SERVS (6) Compel, Gresham, Hogg Robinson, ISS–Int'l Serv. Sys., JBA, Oxford Molecular, TEXTILES & APPAREL (1) Lister, AMERICANS (1) Unilab.

EQUITY FUTURES AND OPTIONS TRADING

A healthy premium in stock index futures provided arbitrage opportunities which tended to set the tone for the day's trading, *writes Peter John.*

The FT-SE 100 contract expiring in December moved forward sharply in morning dealing, widening its lead on tha underlying cash market to some 26 points.

This compared to a current fair value premium estimated at around nine points. The sellers moved in and drove the December contract down towards 3,100 shortly before the official 4.10pm close.

However, a last minute scramble sent the contract up to 3,109, a premium of 12 points to cash.

The day's economic statistics – MO money supply and purchasing managers figures – appeared to have little effect on the market, which was dominated by technical trading. NatWest Securities and GNI were said to hava been keen huyers, but overall volume was thin in comparison with recent levels and turnover failed to reach 12,000 lots by the end of tha pit-trading session.

Traded options volume was also down from Friday's level, with only 31,215 lots changing hands. Guinness was an activa market with 1,895 contracts traded, but the other leadars – National Power, HSBC, British Steel, Eastern, Tesco and BP – were significantly below 1,000 contracts.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3104.0	3109.0	+8.0	3130.0	3087.0	12557	53611
Mar	3140.0	3129.0	+7.6	3140.0	3125.0	62	3869
Jun	3160.0	3151.0	+8.0	5160.0	3160.0	20	60

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Dec	3540.0	3520.0	-20.0	3540.0	3530.0	216	4235

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Dec	-	3520.0	-	-	-	-	0

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3097) £10 per full index point

	2900		2950		3000		3150		3200		3250		3300		3350	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Nov	214½	6	168	10½	122½	17½	84	29	53	48	30½	76½	15	112½	7½	157
Dec	238½	21½	189½	30	153	44	116	58	87	80	63½	107	43	137½	28	174½
Jan	258½	35½	214½	48½	178	63	146	80½	116½	101	89½	124	67	152	48	185½
Feb	267	43½	230½	56½	194	89½	164	89	135	109½	108	134½	87	163½	65	194
Jun†	313	73			246½	105			184½	142½			138	197		

Calls 7,561 Puts 11,890

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2925		2975		3025		3075		3125		3175		3225		3275	
Nov	186	8	143½	13	103½	23	66	38	41½	60½	22½	91½	11½	129½	5½	173
Dec	208½	28	169½	36½	133½	50	102	68	74½	90	51½	117	33	148	26	185
Jan	225½	34½			155½	63			100½	106½			88	164½		
Mar	255½	56½			188½	87			132½	128½			87½	181½		
Jun†	287	79½			232	111			174½	148½			126½	197½		

Calls 1,638 Puts 1,634 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3400		3450		3500		3550		3600		3650		3700		3750	
Oct					116½	85½	90½	89	99½	116½						

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Oct 31	Day's chge%	Oct 28	Oct 27	Oct 26	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3097.4	+0.4	3083.8	3029.6	2999.9	3164.4	4.09	7.01	16.84	110.69	1175.22
FT-SE Mid 250	3516.8	+0.4	3501.6	3480.1	3467.2	3520.5	3.56	5.31	20.79	111.82	1314.26
FT-SE Mid 250 ex Inv Trusts	3514.1	+0.4	3498.5	3479.1	3466.1	3521.2	3.72	6.28	19.36	116.34	1310.56
FT-SE-A 350	1551.1	+0.4	1544.3	1521.2	1508.4	1577.6	3.97	6.74	17.60	54.06	1203.77
FT-SE SmallCap	1780.91	+0.2	1777.83	1774.15	1774.18	1803.33	3.33	4.98	25.32	49.79	1386.14
FT-SE SmallCap ex Inv Trusts	1749.81	+0.1	1748.04	1746.65	1747.44	1788.39	3.54	5.55	23.08	51.78	1368.28
FT-SE-A ALL-SHARE	1536.31	+0.4	1529.82	1508.35	1496.60	1562.18	3.93	6.61	17.99	52.83	1212.73

■ FT-SE Actuaries All-Share

	Oct 31	Day's chge%	Oct 28	Oct 27	Oct 26	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2774.56	+0.8	2752.71	2681.63	2662.10	2471.90	3.32	4.93	25.63	82.53	1117.15
12 Extractive Industries(4)	3882.29	+0.4	3867.96	3860.09	3803.32	3159.20	3.31	5.29	23.40	98.82	1071.29
15 Oil, Integrated(3)	2754.70	+0.9	2729.13	2653.56	2625.36	2455.50	3.42	5.46	22.81	86.98	1133.61
16 Oil Exploration & Prod(11)	1903.53	+0.2	1899.27	1881.87	1870.33	1986.40	2.10	‡	‡	38.06	1101.35
20 GEN MANUFACTURERS(267)	1855.68	.....	1856.08	1838.83	1831.67	1925.90	4.12	5.16	23.41	67.81	949.23
21 Building & Construction(33)	1038.79	-0.1	1039.47	1040.35	1040.86	1170.10	3.80	5.34	24.70	38.06	818.55
22 Building Matls & Merchs(32)	1311.33	+0.2	1807.98	1797.11	1784.76	1867.60	4.11	5.35	22.84	65.80	857.94
23 Chemicals(23)	2298.89	+0.2	2294.82	2288.87	2294.14	2222.60	4.03	4.49	27.86	79.58	1020.16
24 Diversified Industrials(16)	1773.30	-0.5	1782.01	1751.28	1728.41	2000.80	5.17	5.21	23.07	82.75	912.01
25 Electronic & Elect Equip(34)	1847.86	-0.2	1852.04	1820.42	1825.91	2140.40	4.08	6.81	17.52	61.88	905.64
26 Engineering(71)	1786.81	+0.1	1785.48	1771.52	1772.29	1700.50	3.20	5.06	23.41	53.69	1025.85
27 Engineering, Vehicles(12)	2247.02	+0.8	2228.90	2214.21	2232.41	1947.20	4.45	1.55	80.00†	92.54	1099.06
28 Printing, Paper & Pckg(26)	2795.85	+0.2	2791.03	2777.65	2758.31	2461.10	3.08	5.35	21.87	75.71	1102.23
29 Textiles & Apparel(20)	1562.45	+0.4	1555.74	1552.73	1547.61	1960.10	4.31	6.93	17.70	49.58	884.95
30 CONSUMER GOODS(97)	2745.81	+0.5	2732.31	2697.66	2669.17	2818.70	4.37	7.30	15.84	108.73	949.63
31 Breweries(17)	2269.49	+1.0	2246.61	2231.70	2218.03	2074.40	4.17	7.57	16.03	81.43	1016.82
32 Spirits, Wines & Ciders(10)	2858.73	+0.8	2835.60	2780.91	2747.05	2722.50	3.90	8.79	16.98	101.23	962.22
33 Food Manufacturers(23)	2284.21	+0.1	2281.70	2251.10	2233.56	2380.30	4.25	7.63	15.26	88.25	965.13
34 Household Goods(13)	2417.52	+0.6	2403.38	2379.50	2386.77	2740.50	8.75	7.61	15.93	89.96	875.48
36 Health Care(21)	1614.28	+0.2	1610.97	1609.29	1602.81	1739.40	8.12	3.34	42.13	48.24	940.50
37 Pharmaceuticals(12)	3005.82	+0.8	2988.53	2957.97	2936.73	3133.50	4.49	7.12	16.25	125.28	961.77
38 Tobacco(1)	3682.81	-0.1	3687.00	3624.09	3498.25	4158.30	5.89	9.33	11.51	217.07	840.08
40 SERVICES(216)	1902.34	+0.1	1901.33	1881.53	1875.34	1890.90	3.25	6.42	18.61	52.10	936.15
41 Distributors(30)	2508.51	-0.1	2511.95	2499.35	2467.37	2660.20	8.74	7.31	16.18	85.25	873.70
42 Leisure & Hotels(25)	2043.72	+0.2	2040.43	2037.78	2027.01	1939.30	3.39	4.88	24.11	57.69	1010.43
43 Media(38)	2852.15	+0.2	2846.93	2773.48	2759.98	2624.40	2.43	5.26	22.18	69.61	982.45
44 Retailers, Food(16)	1694.87	-0.4	1702.41	1682.70	1667.60	1841.60	3.82	9.45	13.08	52.00	1014.99
45 Retailers, General(45)	1632.27	.....	1632.97	1628.40	1633.15	1692.40	3.24	6.65	18.81	44.67	874.48
48 Support Services(41)	1502.82	+0.8	1492.92	1478.52	1483.88	1607.50	2.80	6.43	18.35	35.82	915.88
49 Transport(16)	2252.82	+0.3	2246.31	2212.35	2198.38	2284.50	3.73	5.82	20.62	61.02	885.37
51 Other Services & Business(7)	1234.56	-0.1	1235.73	1234.95	1234.76	1220.60	4.10	3.16	47.79	28.63	1063.00
60 UTILITIES(36)	2452.65	+1.3	2420.41	2374.56	2345.21	2533.80	4.29	7.67	15.68	81.97	948.19
62 Electricity(17)	2552.29	+2.1	2500.52	2464.72	2440.67	2212.80	3.59	9.67	12.34	83.46	1061.40
64 Gas Distribution(2)	1938.26	-0.3	1944.66	1890.29	1865.20	2251.80	8.18	‡	‡	117.96	909.51
66 Telecommunications(4)	2069.57	+1.1	2046.39	1998.55	1970.45	2350.70	3.99	7.80	16.02	50.22	882.55
68 Water(13)	1915.60	+1.9	1879.70	1868.34	1842.93	1902.90	5.07	12.34	6.83	69.35	957.59
69 NON-FINANCIALS(697)	1658.89	+0.4	1651.63	1629.39	1617.18	1670.52	3.90	6.37	18.87	55.90	1176.29
70 FINANCIALS(104)	2184.60	+0.3	2177.20	2138.20	2118.07	2343.70	4.44	8.98	12.92	89.89	859.47
71 Banks(10)	2877.32	+0.5	2861.93	2805.26	2764.69	2904.10	4.18	9.87	11.59	116.39	865.08
73 Insurance(17)	1257.01	+0.4	1252.38	1219.58	1212.21	1475.60	5.38	9.39	12.19	61.61	868.07
74 Life Assurance(6)	2396.97	-0.7	2418.19	2363.20	2337.30	2793.00	5.33	7.77	15.69	127.82	928.43
75 Merchant Banks(6)	2722.68	+1.4	2684.97	2648.97	2647.52	3274.40	3.82	12.11	9.62	87.79	822.14
77 Other Financial(24)	1833.61	+0.6	1821.64	1816.76	1792.84	1793.30	3.96	8.52	14.04	63.31	983.39
79 Property(41)	1442.72	-0.3	1446.64	1439.38	1441.99	1717.50	4.22	4.49	27.94	44.39	826.87
80 INVESTMENT TRUSTS(124)	2738.77	+0.4	2727.20	2699.54	2690.49	2708.70	2.25	1.97	51.41	55.51	921.77
89 FT-SE-A ALL-SHARE(865)	1536.31	+0.4	1529.82	1508.35	1496.60	1562.16	3.93	6.61	17.99	52.83	1212.73

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3097.5	3082.7	3105.1	3100.7	3106.5	3109.8	3110.0	3108.7	3097.0	3111.5	3079.1
FT-SE Mid 250	3515.5	3510.8	3517.1	3517.7	3520.0	3520.2	3520.6	3521.4	3516.5	3522.0	3508.2
FT-SE-A 350	1551.0	1544.8	1554.1	1552.4	1554.9	1556.2	1556.3	1555.9	1550.9	1557.0	1543.1

Time of FT-SE 100 Day's high: 3111.5 Day's low: 3079.1. FT-SE 100 1994 High: 3520.3(2/2) Low: 2876.6 (24/6).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	981.4	979.4	978.2	977.7	978.0	976.0	976.8	977.1	978.4	976.1	977.1	-1.0
Pharmaceuticls	2970.2	2953.7	2969.6	2964.7	2973.8	2975.5	2988.2	2995.3	2974.8	2975.5	2959.4	+16.1
Water	1896.0	1899.0	1922.8	1915.5	1927.5	1927.2	1925.5	1921.8	1916.0	1914.1	1879.3	+34.8
Banks	2911.5	2900.1	2924.7	2920.7	2925.1	2927.8	2927.3	2920.0	2912.8	2913.4	2897.8	+15.5

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1994. © The Financial Times Limited 1994. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	113	323	+1
ASDA Group†	4,200	60½	-1
Abbey National†	3,100	418	-5
Albert Fisher	583	42	+½
Allied Domecq†	644	598	+4
Anglian Water	523	547	+6
Argos	14	325	-½
Argyll Group†	1,600	262	+1½
Arjo Wiggins†	358	270	+1
Assoc. Brit. Foods†	105	556	+4
Assoc. Brit. Ports	1,400	275	+1
BAA†	1,200	518	+4
BAT Inds.†	3,100	439	-½
BET	3,800	109½	+4
BICC	712	336	-3
BOC†	878	874	-9
BP†	6,300	436	+6½
BPB Inds.	3,800	289	-7
BT†	7,900	394	+4½
BTR†	4,600	307	-5
Bank of Scotland†	1,200	204	-1
Barclays†	5,100	583	+1
Bass†	1,400	567	+4
Blue Circle†	1,000	284	+3
Booker	21	404	
Boots†	1,000	530½	+1½
Bowater†	283	449	+3
Brit. Aerospace†	2,100	446	-11
British Airways†	3,800	353	-3
British Gas†	4,400	292	-1
British Land	571	379	-1
British Steel†	8,500	160	+½
Burzl	461	163	-1
Burmah Castrol†	142	848	+4
Burton	557	66	
Cable & Wire†	5,800	421	+8
Cadbury Schweppes†	1,900	437	-4
Caradon†	1,700	266	-2
Carlton Comms.†	611	879	+1
Coats Viyella	2,200	198	+2
Comm. Union†	995	547	-1
Cookson	970	237	-3
Courtaulds†	979	445	+10
Dalgety	522	431	
De La Rue†	243	978	+3
Dixons	552	196½	-½
Eastern Elect.†	1,300	786	+30
East Midland Elec.	441	686	+19
Electrocomps	259	460	
Eng China Clays	806	382	+8
Enterprise Oil†	333	387	-1
Eurotunnel Units	1,300	235	+4
FKI	626	158	
Fisons	3,100	117	+1
Foreign & Col. IT	876	134	
Forte†	2,300	230	+4
Gen. Accident†	919	584	+1
General Elect.†	3,300	277	-1
Glaxo†	2,000	599	
Glynwed	136	330	+1½
Granada†	373	522	-4
Grand Met.†	5,900	418	+4
GUS†	1,100	561	+4
GRE†	550	180	+2
GKN†	952	607	-4
Guinness†	3,400	468	+4
HSBC (75p shs)†	1,900	726	+8
Hammerson	264	336	+1
Hanson†	7,500	231	+1
Harrisons Crosfield	1,300	164	+1
Hays	424	290	+4
Hillsdown	1,700	169	-¾
IMI	149	299	-1
ICI†	1,700	798½	+5
Inchcape†	991	436	-2
Johnson Matthey	67	595	+3
Kingfisher†	726	472	-1
Kwik Save	220	546	-9
Ladbroke†	932	151	-1
Land Securities†	791	617	+8
Laporte	28	686	-2
Legal & General†	1,200	444	-2½
Lloyds Abbey	1,400	353	-3½
Lloyds Bank†	2,900	574	+6
LASMO	2,700	150	+1
London Elect.	476	725	+19
Lonrho	1,300	132	-2½
Lucas	2,000	133	+2
MEPC†	627	423	-7
MFI	165	132	-3
Manweb	501	807	+4
Marks & Spencer†	2,000	415	-1
Midlands Elect.	51	785	+23
Morrison (Wm.)	224	134	+1
NFC	2,800	179	-3½
NatWest Bank†	2,700	504	+2
National Power†	2,100	497	+6
Next	982	245	+2
North West Water†	1,000	563	+4
Northern Elect.	348	835	+26
Northern Foods†	1,800	205	+1½
Norweb	72	815	+20
Pearson†	775	634	+9
P & O†	2,100	636	+10
Pilkington	322	192½	+½
PowerGen†	1,000	567	+8
Prudential†	5,100	318	-3½
RMC†	125	970	+3
RTZ†	3,200	859	+2
Racal	700	255	-2
Rank Org.†	1,500	404	+6
Reckitt & Colman†	1,000	585	+5
Redland†	1,000	465	-7
Reed Intl.†	1,100	751	+1
Rentokil†	601	227½	+½
Reuters†	8,700	476	+1
Rolls Royce†	2,200	175	+½
Ryl Bk Scotland†	1,700	440	+1
Royal Insurance†	3,900	292	+3
Sainsbury†	1,700	398	-3
Schroders†	9	1360	+25
Scottish & New.†	490	518	+1
Scot. Hydro-Elect.	1,200	322	+4
Scottish Power†	1,300	359	+2
Sears†	8,700	107	-1½
Sedgwick	168	154	+2
Seeboard	199	432	+17
Severn Trent†	1,700	573	+14
Shell Transport†	2,400	734	+3
Siebe†	811	538	+4½
Slough Ests	848	220	-3
Smith (W.H.)	402	484	+1
Smith & Nephew†	2,800	143½	+½
SmKl Beecham†	2,700	407	+3
SmKl Beecham Uts.†	2,300	373	+1½
Smiths Inds.	86	448	+4½
Southern Elect.†	1,600	800	+28
South Wales Elect.	58	820	+23
South West Water	748	524	
South West. Elect.	323	796	+22
Southern Water	633	608	+12
Standard Chartd.†	2,300	293	+3
Storehouse	1,700	219	-1
Sun Alliance†	1,300	330	+1
T&N	1,800	216	+8
TI Group†	668	358	+5½
TSB†	2,200	226	+7
Tarmac	2,400	123	+1½
Tate & Lyle	434	426	+4
Taylor Woodrow	489	139	+½
Tesco†	2,100	234½	-½
Thames Water†	2,000	532	+10½
Thorn EMI†	494	973	-3
Tomkins†	2,300	211	+½
Trafalgar House	568	82	-1
Unigate	510	338	
Unilever†	558	1138	+5
United Biscuits†	2,600	305	+6
Utd. Newspapers	621	511	-1
Vodafone†	2,700	211½	
Warburg (SG)†	878	614	+8
Wellcome†	609	639	+9½
Welsh Water	875	646	+13
Wessex Water	968	318	+12½
Whitbread†	1,100	572	+15
Williams Hldgs.†	670	345	+1
Willis Corroon	500	145	+1
Wimpey	196	137	-1
Wolseley†	289	776	+17
Yorkshire Elect.	457	739	+17
Yorkshire Water	497	553	+19
Zeneca†	1,800	861	+12

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Domecq	550	54½	63	69½	6	11½	19½
(*597)	600	21	33½	40	24	31	43
Argyll	260	13½	21	24½	13	17½	22½
(*262)	280	6	12½	16	25	29½	34½
ASDA	60	5	6½	0	4	5½	6
(*60)	70	1½	3	4½	10½	12	12
Brit Airways	330	31	40	46½	8	13	19½
(*352)	360	14½	24	31	22	27	34
Scott Bdrp A	390	27½	36½	43	12	19	24
(*406)	420	13½	22	29	27½	34	39
Boots	500	38½	52	58	7½	14½	22
(*530)	550	12½	25½	32½	33½	38½	47
BP	420	27½	36½	42½	10½	17½	22
(*435)	460	8½	17	23½	32	38½	43
British Steel	160	9	14½	17½	8½	11	14
(*160)	180	3	7	9½	22	24	26
Bass	550	23	34	41½	25	30½	37
(*556)	600	6	15	22½	61	64	69
Cable & Wire	420	24	36	45	21½	28½	36
(*420)	460	10	20½	28	48	53	60
Courtaulds	420	35	45	50½	10½	14	22
(*444)	460	13½	24½	30½	30	34	42½
Comm Union	543	28	36½	-	17½	31½	-
(*547)	592	9	17	-	49	63½	-
ICI	800	38	51	61½	27	44	54
(*801)	850	16½	29	41	57½	75	83½
Kingfisher	460	32	46½	51	13½	22½	30
(*472)	500	13	28	32	34	44	51½
Land Secur	600	28½	41	47½	14	17½	28½
(*616)	650	6	19½	24	44½	46	57½
Marks & S	390	32	41½	48	5	10	12
(*414)	420	14	24	30	17	23	24½
NatWest	500	28½	39	46	18½	33	39
(*503)	550	10	18½	26	50½	65½	69½
Sainsbury	390	22	34	41½	14	20	27
(*397)	420	9	20	28½	31½	37	44
Shell Trans	700	49	59	65½	7½	18½	23½
(*734)	750	16½	30½	38½	37½	43	47½
Storehouse	200	22½	26	29½	2½	4½	6½
(*218)	220	10	14½	18	9½	12½	15
Trafalgar	80	8½	9½	11½	4½	8½	7½
(*82)	90	3	5½	7	10½	12	13½
Unilever	1100	60½	80	91½	16	33	44
(*1137)	1150	32	52½	64½	40½	57	68
Zeneca	850	43	57½	68	23	41	48½
(*860)	900	20½	34	46½	51	69½	77
Option		Nov	Feb	May	Nov	Feb	May
Grand Met	390	28½	37½	43½	1½	11	15
(*418)	420	8	18½	27½	11½	24½	29
Ladbroke	140	13	19	22	1	4½	7½
(*151)	160	2½	9	12½	10½	14	16½
Utd Biscuits	300	12	23½	27½	4½	10	19
(*305)	330	1½	10½	14½	25	27½	38
Option		Dec	Mar	Jun	Dec	Mar	Jun
Fisons	110	16½	15	19	4	6½	8½
(*117)	120	6	10	14½	9½	11½	13½
Option		Nov	Feb	May	Nov	Feb	May
Brit Aero	420	36	51	59	7½	19	27½
(*445)	460	14½	30½	40	26½	37	48
BAT Inds	420	24	38	45½	3½	11½	23½
(*440)	460	5	18	25	23½	31	45
BTR	300	12½	22½	27	4	10	17
(*307)	330	1½	9	14	23½	27½	34½
Brit Telecom	390	11	17½	26	6	16	18½
(*393)	420	1½	7	13½	27	36½	38½
Cadbury Sch	420	20½	33½	38½	2½	9	16
(*436)	460	2	14	18	25	29½	40
Eastern Elec	750	51½	73	90½	10½	28½	37½
(*795)	800	20½	46	64½	30	51	60
Guinness	460	14½	28	35½	5	12½	21½
(*468)	500	1	11	17	32	36	44½
GEC	260	20	24	29½	½	5	7½
(*277)	280	6½	12½	10	6½	13	16

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Hanson	220	13	17	20	1½	6	10
(*230)	240	2	7½	10½	10½	16½	20½
Lasmo	134	17	-	-	½	-	-
(*150)	154	3½	-	-	7½	-	-
Lucas Inds	180	14½	20	24	1½	5½	9
(*192)	200	3½	9½	14	10½	15	19
P & O	600	38½	56	64	1½	13	24½
(*636)	650	10½	28	39	19½	30½	48½
Pilkington	180	12	16	19½	-	4½	7
(*193)	200	1½	6½	10	8½	14	18½
Prudential	300	18	27½	31	1	6	12
(*317)	330	2½	12	15½	13	15½	27½
RTZ	850	23	48	60½	11½	28	44½
(*858)	900	5	26½	37½	43½	55½	73
Redland	460	16	33½	41	7½	17½	32
(*466)	500	2½	16	23½	34½	40	57
Royal Insce	280	15½	27	33½	4	11	17½
(*291)	300	6½	16½	23½	13½	20	27½
Tesco	220	18	23½	28½	1	4½	10
(*234)	240	3½	11½	17½	8	14	19½
Vodafone	200	14	20½	27	½	7½	10
(*211)	217	4½	11½	-	9	15½	-
Williams	335	21½	-	-	1	-	-
(*344)	354	4	-	-	12	-	-
Option		Jan	Apr	Jul	Jan	Apr	Jul
BAA	500	27	38½	46	11	15½	20½
(*515)	525	14½	25	-	23	27½	-
Thames Wtr	500	39½	52½	60	10½	15½	25½
(*532)	550	14	27	34	35	40½	51
Option		Dec	Mar	Jun	Dec	Mar	Jun
Abbey Natl	390	33½	42	46	4½	13½	18½
(*415)	420	14	24½	29½	15	28	33
Amstrad	25	4½	5½	6½	½	1½	2
(*28)	30	1½	3	4	3	4	4½
Barclays	550	44½	58½	66	7	18½	25½
(*583)	600	15½	30½	39½	27½	43	50½
Blue Circle	280	15	22	26	9	13½	21
(*283)	300	6½	13½	19	20½	24½	32½
British Gas	280	16½	26½	31	4	9	15
(*292)	300	7½	16½	20½	12½	17	25
Dixons	180	21	25½	30½	3	8	11
(*196)	200	8½	14½	20	10½	17	20½
Hillsdown	160	16	16	20½	3	6	10
(*168)	180	3½	8½	17	10½	10	17
Lonrho	130	9	12½	15½	5	10	11½
(*132)	140	4½	8½	11½	10½	16	17
Natl Power	460	42½	53½	65	5	12½	20½
(*497)	500	16	30½	42	19½	28½	38
Scot Power	330	37½	44	51½	4½	12	16
(*359)	360	16	27	35½	15½	24½	29½
Sears	100	8½	12	14	1	3½	5½
(*107)	110	4	7	8½	5	6	10½
Forte	220	16	22½	20½	5	7	13
(*230)	240	6	12	16½	15	16½	23½
Tarmac	120	8	14	17½	5	6½	12
(*123)	130	4½	10	13	10½	13½	17
Thorn EMI	950	48½	63	88	13½	31	36½
(*974)	1000	21½	37½	58	38	53	60½
TSB	220	14	19	23	5½	12	15
(*226)	240	5½	9	14	17	23½	26½
Tomkins	200	16	20½	26	4	8½	10
(*210)	220	5½	10½	15	13½	18½	21
Wellcome	600	56½	75	85½	11	23	33½
(*640)	650	20	47	58	31½	44½	57
Option		Jan	Apr	Jul	Jan	Apr	Jul
Glaxo	550	64	76	86½	9	21½	27
(*598)	600	32½	48	59½	27½	43	40½
HSBC 75p sh	700	56½	73	83½	22½	44	53½
(*726)	750	31	48½	59½	47	71½	80½
Reuters	460	35	44½	53½	12	20	25
(*478)	500	18	28	34	32½	41	45½
Option		Nov	Feb	May	Nov	Feb	May
Rolls-Royce	160	16½	22½	25½	½	4	7½
(*175)	180	3½	11	14½	8	12½	17

* Underlying security price. Premiums shown are based on settlement prices.
October 31. Total contracts: 31,557 Calls: 15,740 Puts: 15,817

FT GOLD MINES INDEX

	Oct 28	% chg on day	Oct 27	Oct 26	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	2169.85	-1.9	2210.80	2253.89	1964.41	1.96	2367.40	1762.02
■ Regional Indices								
Africa (16)	3585.21	-1.2	3629.98	3644.76	2724.23	3.77	3711.87	2304.45
Australasia (7)	2814.53	-2.7	2891.26	2898.86	2169.34	1.73	3013.89	2169.34
North America (11)	1653.26	-2.1	1688.06	1745.47	1718.74	0.81	2039.65	1468.11

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Oct 31: 273.9 ; day's change: -5.5 points. Year ago: 224.8 † Partial. Latest prices were unavailable for this edition.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	4	58	9
Other Fixed Interest	0	0	14
Mineral Extraction	54	63	79
General Manufacturers	124	117	394
Consumer Goods	47	28	112
Services	97	79	320
Utilities	33	1	10
Financials	78	106	183
Investment Trusts	179	30	257
Others	69	18	26
Totals	682	499	1406

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	October 24	Expiry	January 26
Last Dealings	November 4	Settlement	February 8

Calls: Aviva Pet, Calluna, Caverdale, Magnum Power, Medeva, NHL (Pref), Stanhope, Telemetrix. Puts & Calls: Caverdale, Eurotunnel Wts.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	0.88	8½	4	APTA Wnts.	8½		-	-	-	-
-	F.P.	8.83	73	63	Artesian Ests.	73	+4	-	-	-	-
100	F.P.	178.0	93	89	BZW Commodities	89		-	-	-	-
-	F.P.	18.0	47	42	Do. Wrts	45		-	-	-	-
-	F.P.	49.8	92	65	§Calluna	92		-	-	-	-
63	F.P.	12.2	68	65	Ennemix	67		RN0.71	5.3	1.3	8.4
-	F.P.	52.5	125	108	Filtronic C'tek	125	+5	RN0.75	2.6	0.8	42.1
115	F.P.	39.1	126	115	Games Workshop	126		RN4.6	2.2	4.6	11.9
-	F.P.	2.24	35	27	Group Dv Cap Wts	27		-	-	-	-
-	F.P.	29.0	62	58	Hambros Sm Asian	58		-	-	-	-
-	F.P.	2.70	30	27	Do Warrants	27		-	-	-	-
160	F.P.	169.6	223	205	Irish Permanent	223	+1	uN6.0	4.6	3.4	7.8
180	F.P.	426.6	181	160	Man ED & F	166	+1	RN8.6	1.6	6.5	8.1
-	F.P.	340.2	488	475	Prolific Inc.	486	+3	-	-	-	-
135	F.P.	58.3	149	136	Servisair	145	-1	RN3.8	1.3	3.3	23.5
-	F.P.	8.28	62	57	Whitchurch	62		RN1.25	3.0	2.5	13.0
-	F.P.	28.2	360	335	Wrexham Water	338		-	-	-	-
-	F.P.	4.74	330	320	Do. NV	320		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
17	Nil	2/12	2pm	¼pm	APTA Health	¼pm	
20	Nil	9/12	4pm	3½pm	Bullers	4pm	
178	Nil	28/11	20pm	8pm	Cattles	11pm	+2
Ir4p	Nil	25/11	¼pm	¼pm	Dragon Oil	¼pm	
500	Nil	12/12	50pm	39pm	Matthew Clark	38pm	
26	Nil	22/11	¼pm	¼pm	Novo	¼pm	
180	Nil	9/12	15½pm	5pm	Sidlaw	15pm	+7
Ir330p	Nil	23/11	59pm	25pm	Smurfit (J)	40pm	+1
5	Nil	15/11	2½pm	¾pm	§Union Square	¾pm	

FINANCIAL TIMES EQUITY INDICES

	Oct 31	Oct 28	Oct 27	Oct 26	Oct 25	Yr ago	*High	*Low
Ordinary Share	2351.8	2345.1	2310.8	2298.5	2301.8	2392.1	2713.6	2240.6
Ord. div. yield	4.37	4.38	4.45	4.47	4.47	3.87	4.51	3.43
Earn. yld. % full	6.23	6.25	6.34	6.37	6.37	4.48	6.51	3.82
P/E ratio net	18.47	18.42	18.15	18.06	18.08	27.96	33.43	16.94
P/E ratio nil	18.01	17.96	17.70	17.61	17.62	25.90	30.90	17.09

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share Index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2355.8	2344.3	2358.5	2354.2	2358.1	2360.1	2361.2	2361.5	2351.9	2363.1	2341.5

	Oct 31	Oct 28	Oct 27	Oct 26	Oct 25	Yr ago
SEAQ bargains	27,021	22,487	21,112	21,225	24,673	28,404
Equity turnover (£m)†	-	1184.8	1109.6	999.9	1211.5	1090.8
Equity bargains†	-	26,618	24,353	24,627	27,312	33,225
Shares traded (ml)†	-	462.4	465.2	434.7	467.1	671.8

†Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or –	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£21½	+⅛	£25⅜	£19⅝	6,658	5.0	ϕ
ANZ A$		176	+7	270¼	171	2,382	5.1	28.1
Abbey National	†N□	416	–5	523	380½	5,457	4.7	14.0
Allied Irish I£	♣†N□	252	+2	354	233	1,970	0.6	9.7
Anglo Irish I£	AN□	98	—	*70	60	198.6	7.4	10.6
Asahi Y	□	688¼	–1¼	819¼	628	15,929	0.8	ϕ
Banco Bil Viz Pts	□	£16⅝	—	£20¼	£14½	3,612	5.1	7.3
Banco Sant Pts		£26⅝	—	*£30½	£23¼	4,208	5.0	9.9
Bk Ireland I£	A□	285	+1	*319	240	1,332	4.8	8.5
Bank Scotland	♣†N□	204xd	–1	247	172½	2,308	3.3	11.5
9¼pc Pf		108¼xd	—	141½	100	108.8	10.8	–
9¼pc Pf		117¼xd	–¼	148½	111¼	111.8	10.6	–
Barclays	♣†N□	583	+1	640	467	9,407	3.8	16.0
Dai Ichi Kan Y	□	£11⅛	+⅛	£12⅜	£10⅞	35,028	3.5	–
Deutsche DM	□	£289⅜	–1⅜	£344¼	£270⅛	14,288	2.2	–
Espirito Santo	□	£8⅞	–⅛	*£13⅛	£8⅞	163.8	4.2	4.2
First Nat Fin	N□	65	—	*90	60	114.8	3.8	–
6.3pc Cv Pf		71	—	*90	71	4.77	11.1	–
7pc Cv Pf		125½	—	171	123	98.6	7.0	–
Fuji Bank Y	□	1380	+18½	1549¼	1152½	38,389	0.4	ϕ
HSBC HK	†N□	728xd	+4½	1133	680	12,757	4.2	10.6
HSBC (75p Shs)	†N□	726xd	+8	1118	660	6,178	4.2	13.5
Lloyds	†N□	574	+6	660	510	7,444	3.8	11.3
Mitsubishi Y	□	£15⅜	+¼	£18⅝	£15⅛	44,257	0.3	ϕ
Mits Tst & Bk Y	□	942½	–¼	1182¼	807½	11,294	0.5	15.0
Mitsui Yld & Bk Y	□	708½	+6	879	514	8,488	8.8	24.0
Nat Aust A$	†	493	+8	620¼	472	6,632	8.5	10.7
NatWest	†N□	504	+7	622	421	8,618	4.8	9.4
Ottomane FFr		222	—	233	£21¼	180.0	0.6	ϕ
Rol Bk Scotland	♣†N□	448	+1	529	377½	3,524	3.4	19.9

CHEMICALS

ELECTRONIC & ELECTRICAL EQPT - Cont.

EXTRACTIVE INDUSTRIES

HEALTH CARE - Cont.

INVESTMENT TRUSTS - Cont.

HOUSEHOLD GOODS

BREWERIES

DISTRIBUTORS

ENGINEERING

INSURANCE

BUILDING & CONSTRUCTION

INVESTMENT TRUSTS

Approved by the Inland Revenue

DIVERSIFIED INDUSTRIALS

FOOD MANUFACTURERS

BUILDING MATS. & MERCHANTS

ELECTRICITY

GAS DISTRIBUTION

ELECTRONIC & ELECTRICAL EQPT

HEALTH CARE

ENGINEERING, VEHICLES

هكذا من الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29¾	—	£30	£13½	1,939	2.5	21.8
Barlow	Z	£4½	—	£5½	£3½	960.0	0.7	-
Gold Flds Prop R		118xa	—	128	75	12.1	7.7	ϕ
NK Props		95	—	95	85	3.82	12.4	-
SASOL	♥	567	—	582	280	3,321	2.4	-
SA Brews		£14½	—	£15⅞	£10	3,999	1.9	23.5
Tiger Oats	†	728	—	838	538	1,084	2.2	15.4
Tongaat-Hulett	h	695	—	*695	356¼	833.4	1.8	19.4

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ⚘ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
$ Figures based on IMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
1 Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2585. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availabilty.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An *international service is available for callers* outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) *for more information on FT Cityline.*

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

هكذا من الأصل

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Cradle Investment Funds - Contd.	[illegible]	[illegible]	[illegible]	[illegible]
Nikko Bank - Contd.	[illegible]	[illegible]	[illegible]	[illegible]
Nomura Asian Infrastructure Fd SICAV				
NAV	$22.74		+0.37	
Nomura Rosenberg Alpha Fund Mark II	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Basin Growth Fund	[illegible]	[illegible]	[illegible]	[illegible]
Rosenberg Global Mngt Co SA (u)	[illegible]	[illegible]	[illegible]	[illegible]
CMI Insurance Co Ltd - Contd.	[illegible]	[illegible]	[illegible]	[illegible]
Century Life International	[illegible]	[illegible]	[illegible]	[illegible]

OTHER OFFSHORE FUNDS

	Selling Price	Buying Price	+ or -	Yield Gross
ATSP Management Ltd				
Philippines Long Term Equity Fund				
NAV Sep 30	$28.29			
Abtrust Fund Mngrs (Guernsey) Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Adig Investment	[illegible]	[illegible]	[illegible]	[illegible]
Aetna Malaysian Growth Fd (Cayman) Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Ermitage Group	[illegible]	[illegible]	[illegible]	[illegible]
Jardine Fleming Unit Trusts Ltd - Contd.	[illegible]	[illegible]	[illegible]	[illegible]
Pakistan Fund				
NAV Oct 27	$9.30			
Panther Capital Advisors				
Panther Fund	$10.26			
Pequot International Fund Inc				
NAV Oct 6	$212.44			
Paru Select Group of Funds Limited				
Paru 2000	$10.10			
Philippine Income Fund Inc				
NAV Oct 26	$9.81			
Portuguese Investment Fund Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Private Asset Management GAM Fund Inc	[illegible]	[illegible]	[illegible]	[illegible]
Springfield Fund Mgmt (Gibraltar) Ltd				
Global Liquidity Fd Ltd	$102.57			8.54
Sri Lanka Growth Fund				
NAV Oct 26	$9.87			
State Street Banque SA	[illegible]	[illegible]	[illegible]	[illegible]
Strome Offshore Limited				
NAV Sep 30	$212.85			
Swiss Bank Corporation	[illegible]	[illegible]	[illegible]	[illegible]
Smith Barney Funds				
Worldwide Special NV (x)	$311.60			
Worldwide Securities (x)	$82.35			
Soditic Asset Management Inc				
Alpine SAM	$124.85			
SAM Brazil	$259.17			
SAM Diversified	$131.71			
SAM Opportunity	$130.96			
SAM Oracle	$110.87			
SAM Strategy	$114.55			
SAM/McGarr Hedge	$122.89			
Carl Spaengler KAG				
Long Term Value Trust NAV	$709.71			

OFFSHORE INSURANCES

	Selling Price	Buying Price	+ or -	Yield Gross
AXA Equity & Law Intl Life Assce Co	[illegible]	[illegible]	[illegible]	[illegible]

MANAGED FUNDS NOTES

[illegible]
x - Single premium insurance.
s - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
x - Previous day's price.
✠ - Guernsey gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision.
‡ - Only available to charitable bodies.
ф - Yield column shows annualised rates of NAV increase.
xd - Ex-dividend.

CURRENCIES AND MONEY

MARKETS REPORT

Sterling firmer on interest rate speculation

Sterling rose on the markets yesterday as speculation about a rise in interest rates intensified, *writes Philip Gawith.*

The trade weighted sterling index finished at 81, its highest level since the beginning of March, but still below a high for the year, around 83, reached in January. The pound finished in London at DM2.4583 against the D-Mark, from DM2.4505, and at $1.6306, from $1.6235, against the dollar.

Attention today will focus on the Bank of England's quarterly bulletin, and the inflation report, whose publication will provide the background to tomorrow's monetary meeting.

Market activity was generally quiet yesterday, and this will continue today with a number of European markets closed for All Saints Day.

The dollar had a fairly quiet day, with the market showing little inclination to build on Friday's rally. It closed at DM1.5077 from DM1.5094, and at Y96.95 from Y97.335.

The D-Mark had a quiet day in Europe. The Swedish krona weakened slightly, to SKr4.780 from SKr4.759, following an announcement from Moody's, the rating agency, that it would be reviewing the status of Sweden's sovereign debt.

■ Speculation about higher UK rates was fuelled by the October M0 money supply figure, which rose by 7.3 per cent year-on-year. This was higher than market expectations, well above the monitoring range of 0-4 per cent, and the fastest annual rate of growth since January 1989.

To some extent, though, market expectations of higher rates possibly being sanctioned at the monthly meeting also reflect a new found credibility in UK monetary policy. Underlying inflation, at 2 per cent in September, is at its lowest level in 27 years.

Mr Avinash Persaud, head of currency strategy at JP Morgan in Europe, commented: "The Bank of England has managed to build credibility so that the market now believes the government is inclined to act pre-emptively. There is a belief that the monetary regime has now changed. The UK is now acting more like a European country."

The December short sterling contract closed at 93.50 yesterday, showing that the market expects UK interest rates to rise to 6.5 per cent by the end of the year. Three month LIBOR is currently at 6 1/16 per cent, up from 6 per cent.

Mr Richard Phillips, analyst at brokers GNI, said the firmer cash rates reflected both a month-end squeeze, and press speculation about the prospect of higher rates. "There has been a shift in sentiment from the possibility to the probability of a rise in rates."

While most economists are now predicting a further rise in rates by the end of the year, it is still only a minority who are expecting this to follow in the immediate aftermath of tomorrow's monetary meeting. Many analysts argue that, with the chancellor probably undecided about the extent of tax changes in this month's budget, it would be wise to leave any monetary policy changes until the December meeting.

Mr Eddie George, governor of the Bank of England, last week lent some support to those arguing against a precipitate move. He said bond markets were exaggerating the inflationary threat.

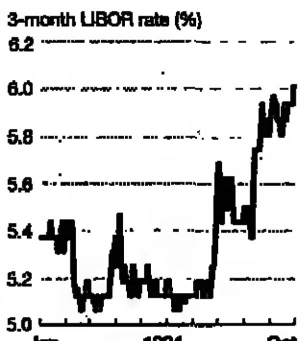
In a speech in Birmingham, he added: "There are relatively few immediate signs that inflation is about to pick up strongly." Contributing to the governor's optimism about the inflation outlook will have been sterling's recent strength, putting downward pressure on imported inflation. The trade weighted index has risen from a low around 78, in mid-August, to 81 now.

On the other hand, the possibility that market expectations might hasten the next rate rise was highlighted by Mr Kenneth Clarke, the chancellor, during the September monthly meeting. He said: "Financial markets were expecting interest rates to be raised sooner rather than later. If those expectations were not realised, the markets could become more volatile and the eventual rise in rates might need to be larger."

Although the timing of a rise in rates is in dispute, there is a measure of agreement that the likely trajectory of UK rates will be gradually upwards, rather than sharply, as often in the past. Mr Persaud said the good behaviour of the current account, and inflation, during the present recovery, "would allow rates to peak at a much lower level than before."

■ The Bank of England provided UK money markets with £1.321bn assistance, including £355m late assistance, after forecasting a £1.4bn daily shortage.

Sterling



Source: FT Graphite

■ **Pound in New York**

Oct 31	Latest	Prev. close
£ spot	1.6355	1.6240
1 mth	1.6347	1.6234
3 mth	1.6340	1.6228
1 yr	1.6228	1.6135

■ **OTHER CURRENCIES**

Oct 31	£	$
Hungary	175.790 - 176.213	107.840 - 108.040
Iran	2858.00 - 2861.00	1748.00 - 1750.00
Kuwait	0.4840 - 0.4846	0.2969 - 0.2971
Poland	37541.2 - 37725.0	23030.0 - 23130.0
Russia	5038.55 - 5043.44	3090.00 - 3093.00
U.A.E.	5.9897 - 6.0116	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Oct 31		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.2994	+0.0618	905 - 082	17.3082	17.2440	17.295	0.3	17.2832	0.4	-	-	115.3
Belgium	(BFr)	50.5879	+0.1944	578 - 181	50.6161	50.3600	50.5579	0.7	50.4879	0.8	50.0129	1.1	117.0
Denmark	(DKr)	9.6219	+0.0398	169 - 270	9.6270	9.5731	9.6195	0.3	9.6342	-0.5	9.6138	0.1	117.0
Finland	(FM)	7.5353	+0.0807	245 - 460	7.5460	7.4630	-	-	-	-	-	-	88.7
France	(FFr)	8.4190	+0.031	138 - 241	8.4241	8.3778	8.4179	0.1	8.412	0.3	8.3415	0.9	110.8
Germany	(DM)	2.4583	+0.0079	570 - 595	2.4595	2.4466	2.457	0.9	2.4534	0.6	2.4198	1.6	126.6
Greece	(Dr)	378.777	+1.605	509 - 044	379.044	377.065	-	-	-	-	-	-	-
Ireland	(I£)	1.0159	+0.0021	153 - 165	1.0165	1.0075	1.0157	0.2	1.0154	0.2	1.0171	-0.1	105.6
Italy	(L)	2515.33	+8.05	402 - 663	2516.63	2497.11	2521.08	-2.7	2532.43	-2.7	2578.93	-2.5	74.5
Luxembourg	(LFr)	50.5879	+0.1944	576 - 161	50.6181	50.3600	50.5579	0.7	50.4879	0.8	50.0129	1.1	117.0
Netherlands	(Fl)	2.7563	+0.0108	545 - 580	2.7580	2.7430	2.755	0.5	2.7512	0.7	2.7154	1.5	121.0
Norway	(NKr)	10.6891	+0.0402	837 - 945	10.6945	10.6381	10.6891	0.0	10.6907	-0.1	10.6897	0.0	86.6
Portugal	(Es)	251.349	+1.005	035 - 663	251.663	250.297	253.078	-8.3	256.259	-7.8	-	-	-
Spain	(Pta)	204.545	+0.588	447 - 642	204.642	203.589	204.915	-2.2	209.94	-10.6	208.04	-1.7	85.9
Sweden	(SKr)	11.7564	+0.0875	460 - 668	11.7668	11.6532	11.7754	-1.9	11.8179	-2.1	11.9624	-1.8	75.9
Switzerland	(SFr)	2.0513	+0.0053	499 - 526	2.0526	2.0421	2.0482	1.8	2.0415	1.9	1.9992	2.5	122.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	91.0
Ecu	-	1.2896	+0.0045	887 - 905	1.2905	1.2839	1.2896	0.0	1.2897	0.0	1.2828	0.5	-
SDR†	-	0.912183	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6303	+0.0067	298 - 308	1.6308	1.6192	-	-	-	-	-	-	-
Brazil	(R)	1.3770	+0.001	758 - 782	1.3782	1.3719	-	-	-	-	-	-	-
Canada	(C$)	2.2054	+0.0139	044 - 064	2.2064	2.1893	2.2047	0.4	2.2029	0.5	2.1966	0.4	86.8
Mexico	(New Peso)	5.6026	+0.0287	969 - 082	5.6082	5.5613	-	-	-	-	-	-	-
USA	($)	1.6306	+0.0071	301 - 310	1.6310	1.6190	1.6299	0.5	1.6292	0.3	1.6161	0.8	61.0
Pacific/Middle East/Africa													
Australia	(A$)	2.1971	+0.0118	957 - 984	2.1984	2.1805	2.1992	-1.1	2.202	-0.9	2.2159	-0.9	-
Hong Kong	(HK$)	12.5997	+0.0544	958 - 036	12.6036	12.5118	12.5931	0.6	12.5872	0.4	12.5178	0.7	-
India	(Rs)	51.1608	+0.2314	403 - 808	51.1808	50.7920	-	-	-	-	-	-	-
Japan	(Y)	158.082	+0.058	957 - 207	158.207	157.710	157.657	3.2	156.657	3.8	151.452	4.2	190.1
Malaysia	(M$)	4.1688	+0.0242	670 - 705	4.1705	4.1341	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6481	+0.0102	463 - 499	2.6499	2.6301	2.6527	-2.1	2.662	-2.1	2.6818	-1.3	-
Philippines	(Peso)	40.5681	+0.1429	754 - 608	40.6608	40.3275	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1165	+0.0263	146 - 184	6.1184	6.0742	-	-	-	-	-	-	-
Singapore	(S$)	2.3973	+0.0083	962 - 984	2.3984	2.3852	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.7090	+0.0251	062 - 118	5.7118	5.6697	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5548	+0.0202	367 - 729	6.5729	6.5165	-	-	-	-	-	-	-
South Korea	(Won)	1299.80	+6.79	618 - 040	1300.40	1289.70	-	-	-	-	-	-	-
Taiwan	(T$)	42.4710	+0.1922	543 - 876	42.4876	42.4543	-	-	-	-	-	-	-
Thailand	(Bt)	40.6382	+0.1887	107 - 657	40.6657	40.6107	-	-	-	-	-	-	-

†SDR rates for Oct 28. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 31		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.6095	-0.000	070 - 120	10.6470	10.6070	10.6095	0.0	10.6093	0.0	10.5345	0.7	104.5
Belgium	(BFr)	31.0250	-0.015	150 - 350	31.1300	31.0100	31.025	0.0	30.99	0.5	30.91	0.4	106.1
Denmark	(DKr)	5.9010	-0.0011	995 - 025	5.9179	5.8960	5.905	-0.8	5.8135	-0.8	5.952	-0.9	105.5
Finland	(FM)	4.6213	+0.0173	160 - 266	4.6398	4.5943	4.622	-0.2	4.6168	0.2	4.6153	0.1	83.5
France	(FFr)	5.1633	-0.0033	615 - 650	5.1775	5.1615	5.165	-0.4	5.1633	0.0	5.1553	0.2	106.8
Germany	(D)	1.5077	-0.0017	073 - 080	1.5127	1.5072	1.5078	-0.1	1.5059	0.5	1.4955	0.9	107.3
Greece	(Dr)	232.300	-0.02	200 - 400	232.000	232.200	232.57	-1.4	233.125	-1.4	235.375	-1.3	68.4
Ireland	(I£)	1.6051	+0.0037	046 - 056	1.6056	1.6005	1.6051	0.0	1.6051	0.0	1.5921	0.8	-
Italy	(L)	1542.63	-1.12	225 - 300	1546.00	1540.90	1546.88	-3.3	1554.43	-3.1	1594.13	-3.3	74.9
Luxembourg	(LFr)	31.0250	-0.015	150 - 350	31.1300	31.0100	31.025	0.0	30.99	0.5	30.91	0.4	106.1
Netherlands	(Fl)	1.6904	-0.0006	898 - 810	1.6954	1.6899	1.6904	0.0	1.6887	0.4	1.6782	0.7	105.9
Norway	(NKr)	6.5555	-0.0037	540 - 570	6.5819	6.5510	6.5582	-0.5	6.571	-0.9	6.603	-0.7	96.8
Portugal	(Es)	154.150	-0.05	000 - 300	154.550	154.000	154.775	-4.9	155.9	-4.5	160.4	-4.1	95.1
Spain	(Pta)	125.445	-0.195	420 - 470	125.900	125.420	125.73	-2.7	124.71	2.3	129.595	-2.5	80.9
Sweden	(SKr)	7.2101	+0.0226	057 - 145	7.2385	7.1735	7.2248	-2.5	7.2541	-2.4	7.3941	-2.6	81.6
Switzerland	(SFr)	1.2580	-0.0022	575 - 585	1.2628	1.2575	1.2567	1.3	1.253	1.9	1.2355	1.9	106.1
UK	(£)	1.6306	+0.0071	301 - 310	1.6310	1.6190	1.6299	0.5	1.6292	0.3	1.6181	0.8	89.1
Ecu	-	1.2644	+0.0011	639 - 648	1.2649	1.2605	1.2638	0.6	1.2635	0.3	1.2614	0.2	-
SDR†	-	1.49142	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-0.0002	998 - 999	1.0000	0.9998	-	-	-	-	-	-	-
Brazil	(R)	0.8445	-0.003	440 - 450	0.8470	0.8440	-	-	-	-	-	-	-
Canada	(C$)	1.3526	+0.0027	523 - 528	1.3545	1.3517	1.3524	0.1	1.3521	0.1	1.3576	-0.4	83.7
Mexico	(New Peso)	3.4360	+0.0027	335 - 385	3.4385	3.4335	3.437	-0.3	3.4388	-0.3	3.4462	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	94.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3475	+0.0015	470 - 479	1.3486	1.3448	1.3478	-0.2	1.3485	-0.3	1.3558	-0.8	85.8
Hong Kong	(HK$)	7.7273	-	270 - 275	7.7275	7.7270	7.7263	0.1	7.7259	0.1	7.7358	-0.1	-
India	(Rs)	31.3763	+0.0063	725 - 900	31.3976	31.3725	31.4613	-3.3	31.6063	-2.9	-	-	-
Japan	(Y)	96.9500	-0.385	000 - 000	97.5000	96.9000	96.73	2.7	96.15	3.3	93.585	3.5	150.5
Malaysia	(M$)	2.5567	+0.0038	563 - 570	2.5579	2.5527	2.5475	4.3	2.5362	3.2	2.6097	-2.1	-
New Zealand	(NZ$)	1.6241	-0.0008	234 - 247	1.6263	1.6215	1.6251	-0.7	1.6269	-0.7	1.6322	-0.5	-
Philippines	(Peso)	24.8800	-0.02	300 - 300	24.9500	24.8000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7512	-0.0001	510 - 513	3.7513	3.7510	3.7525	-0.4	3.7566	-0.8	3.7752	-0.6	-
Singapore	(S$)	1.4703	-0.0012	700 - 705	1.4725	1.4700	1.4689	1.1	1.467	0.9	1.4603	0.7	-
S Africa (Com.)	(R)	3.5013	+0.0003	005 - 020	3.5085	3.5005	3.5168	-5.3	3.5451	-5.0	3.6218	-3.4	-
S Africa (Fin.)	(R)	4.0200	-0.005	100 - 300	4.0300	4.0100	4.0537	-10.1	4.1125	-9.2	-	-	-
South Korea	(Won)	797.150	+0.7	000 - 300	797.400	796.700	800.15	-4.5	803.65	-3.3	822.15	-3.1	-
Taiwan	(T$)	26.0470	+0.0052	440 - 500	26.0580	26.0380	26.067	-0.8	26.107	-0.9	-	-	-
Thailand	(Bt)	24.9230	+0.008	130 - 330	24.9330	24.9130	24.9955	-3.5	25.123	-3.2	25.603	-2.7	-

†SDR rate for Oct 28. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 28. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

October 31	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	4 13/16	5¼	5⅝	6⅛	7.40	4.50	-
week ago	4 13/16	4⅝	5¼	5⅝	6¼	7.40	4.50	-
France	5⅜	5 7/16	5⅜	5 13/16	6⅛	5.00	-	6.75
week ago	5⅝	5⅞	5⅝	5⅞	6¾	6.00	-	6.75
Germany	5.25	4.95	5.18	5.25	5.60	6.00	4.50	4.85
week ago	4.85	4.95	5.15	5.25	5.58	6.00	4.50	4.85
Ireland	5 1/16	5¼	5⅞	6⅛	7⅛	-	-	6.25
week ago	5 1/32	5¼	5⅝	6⅛	7⅛	-	-	6.25
Italy	8¼	8⅝	8 13/16	9⅜	10⅛	-	7.50	8.20
week ago	8⅛	8⅝	8¾	9⅛	10⅜	-	7.50	8.20
Netherlands	4.84	4.99	5.20	5.35	5.75	-	5.25	-
week ago	4.84	4.99	5.18	5.33	5.70	-	5.25	-
Switzerland	3⅜	3¾	4⅛	4⅜	4⅝	6.625	3.50	-
week ago	3 13/16	3¾	4 1/16	4¼	4⅝	6.625	3.50	-
US	4¾	5	5⅜	5⅞	6¼	-	4.00	-
week ago	4 13/16	5	5⅜	5⅞	6¼	-	4.00	-
Japan	2⅜	2¼	2⅜	2¼	2¾	-	1.75	-
week ago	2¼	2¼	2⅜	2 1/16	2⅝	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅛	5⅝	5 15/16	6½	-	-	-
week ago	-	5⅛	5⅝	5 15/16	6½	-	-	-
US Dollar CDs	-	4.95	5.81	5.65	6.28	-	-	-
week ago	-	4.95	5.39	5.72	6.31	-	-	-
SDR Linked Ds	-	3¾	3⅜	3¾	4	-	-	-
week ago	-	3¾	3⅜	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5½; 3 mths: 5 13/16; 6 mths: 6⅛; 1 year: 6¾. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 31	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4⅞ - 4 13/16	4 13/16 - 4 11/16	5 - 4⅞	5¼ - 5⅛	5 9/16 - 5 7/16	6 5/16 - 6 3/16
Danish Krone	5¾ - 5½	5¾ - 5½	5⅞ - 5⅝	6½ - 6¼	6⅞ - 6⅝	7½ - 7¼
D-Mark	5 1/16 - 4 15/16	4 15/16 - 4 13/16	4 15/16 - 4 13/16	5⅛ - 5	5¼ - 5⅛	5⅝ - 5½
Dutch Guilder	5 - 4⅞	5 - 4⅞	5 - 4⅞	5 5/16 - 5⅛	5⅜ - 5¼	5¾ - 5⅝
French Franc	5⅜ - 5¼	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5⅝ - 5⅜	5⅞ - 5¾	6⅜ - 6¼
Portuguese Esc.	9¼ - 9	9¼ - 9	9¾ - 9½	10¼ - 10	10 7/16 - 10 3/16	10¾ - 10 7/16
Spanish Peseta	7½ - 7⅜	7 9/16 - 7 7/16	7 9/16 - 7 7/16	7⅞ - 7¾	8 5/16 - 8 3/16	9 1/16 - 8 15/16
Sterling	5⅝ - 5⅜	5½ - 5⅜	5⅝ - 5½	6 1/16 - 5 15/16	6 9/16 - 6½	7⅜ - 7 3/16
Swiss Franc	3¾ - 3½	3¾ - 3½	3 11/16 - 3 9/16	4 1/16 - 3 15/16	4¼ - 4⅛	4⅝ - 4½
Can. Dollar	5⅛ - 4 13/16	5 1/16 - 4⅞	5 1/16 - 4 15/16	5½ - 5⅜	6 - 5⅞	6⅞ - 6¾
US Dollar	4 13/16 - 4 11/16	4 13/16 - 4 11/16	5 1/16 - 4 15/16	5⅝ - 5½	5 15/16 - 5 13/16	6½ - 6⅜
Italian Lira	8 - 7½	8 7/16 - 8 5/16	8 7/16 - 8 5/16	8 11/16 - 8 9/16	9⅜ - 9 3/16	10 1/16 - 9 15/16
Yen	2 9/32 - 2 7/32	2⅜ - 2 7/32	2⅜ - 2¼	2¾ - 2⅝	2½ - 2⅜	2 13/16 - 2¾
Asian $Sing	2⅞ - 2¾	2¾ - 2⅝	3 - 2⅞	3⅜ - 3¼	3¾ - 3⅝	4⅛ - 4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate Oct 28

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.28	94.29	+0.02	94.30	94.25	16,093	58,084
Mar	93.61	93.65	+0.06	93.68	93.79	14,032	38,086
Jun	93.39	93.44	+0.08	93.45	93.35	6,898	20,009
Sep	92.99	93.05	+0.06	93.05	92.97	3,268	18,155

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		94.04	-0.02			0	2490
Mar		93.60	-0.01			0	1388
Jun		93.18	-0.02			0	350
Sep		92.78	-			0	56

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.87	94.82	-0.03	94.87	94.82	10944	158472
Mar	94.59	94.54	-0.05	94.61	94.54	17721	156625
Jun	94.21	94.16	-0.05	94.22	94.15	10683	112240
Sep	93.83	93.78	-0.04	93.84	93.77	7501	77103

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.87	90.94	-0.03	91.00	90.82	3384	32417
Mar	90.25	90.21	-0.06	90.25	90.20	2123	29791
Jun	89.70	89.66	-0.07	89.71	89.65	1501	16090
Sep	89.31	89.28	-0.07	89.33	89.27	823	20372

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.86	95.84	-0.04	95.87	95.83	1596	19649
Mar	95.60	95.55	-0.03	95.60	95.52	938	17569
Jun	95.18	95.15	-0.02	95.18	95.14	816	5156
Sep	94.82	94.78	-0.02	94.82	94.78	66	1809

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.94	93.90	-0.04	93.94	93.89	260	7893
Mar	93.46	93.46	-0.03	93.48	93.43	609	7006
Jun	92.97	92.93	-0.03	92.97	92.91	338	3990
Sep	92.45	92.45	-0.02	92.47	92.42	286	2418

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 31		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.02	16.64	4.860	2.007	4972	5.448	21.12	496.8	404.3	23.23	4.056	1.977	4.359	3.225	312.4	2.548
Denmark	(DKr)	52.57	10	8.751	2.555	1.055	2614	2.865	11.10	261.2	212.6	12.21	2.132	1.039	2.292	1.695	164.2	1.340
France	(FFr)	60.08	11.43	10	2.920	1.206	2987	3.274	12.69	298.5	242.9	13.96	2.436	1.188	2.618	1.937	187.7	1.531
Germany	(DM)	20.58	3.914	3.425	1	0.413	1023	1.121	4.345	102.2	83.20	4.780	0.834	0.407	0.897	0.664	64.28	0.524
Ireland	(I£)	49.83	9.479	8.295	2.422	1	2478	2.715	10.52	247.8	201.5	11.58	2.021	0.985	2.172	1.607	155.7	1.270
Italy	(L)	2.011	0.383	0.335	0.098	0.040	100.	0.110	0.425	9.992	8.131	0.467	0.082	0.040	0.088	0.065	6.282	0.051
Netherlands	(Fl)	18.35	3.491	3.055	0.892	0.368	912.6	1	3.875	91.18	74.20	4.263	0.744	0.363	0.800	0.592	57.33	0.468
Norway	(NKr)	47.36	9.008	7.883	2.301	0.950	2355	2.581	10	235.3	191.5	11.00	1.920	0.936	2.066	1.527	147.9	1.207
Portugal	(Es)	20.13	3.828	3.350	0.978	0.404	1001	1.097	4.250	100.	81.38	4.676	0.816	0.398	0.877	0.649	62.87	0.513
Spain	(Pta)	24.73	4.705	4.117	1.202	0.496	1230	1.348	5.222	122.9	100.	5.746	1.003	0.489	1.078	0.796	77.26	0.630
Sweden	(SKr)	43.05	8.188	7.166	2.092	0.864	2140	2.346	9.089	213.9	174.0	10	1.746	0.851	1.877	1.388	134.5	1.097
Switzerland	(SFr)	24.66	4.691	4.105	1.198	0.495	1226	1.344	5.207	122.5	99.71	5.729	1	0.488	1.075	0.795	77.04	0.628
UK	(£)	50.58	9.621	8.418	2.458	1.016	2515	2.756	10.68	251.3	204.5	11.75	2.051	1	2.205	1.631	158.0	1.289
Canada	(C$)	22.94	4.363	5.818	1.115	0.499	1141	1.250	4.844	114.0	92.74	5.329	0.930	0.454	1	0.740	71.66	0.585
US	($)	31.01	5.899	5.162	1.507	0.622	1542	1.690	6.548	154.1	125.4	7.204	1.258	0.613	1.352	1	96.87	0.790
Japan	(Y)	32.01	6.089	5.326	1.556	0.642	1592	1.744	6.759	159.1	129.4	7.437	1.298	0.633	1.396	1.032	100.	0.818
Ecu		39.24	7.464	6.531	1.907	0.787	1951	2.136	8.265	195.0	158.7	9.116	1.591	0.776	1.711	1.265	122.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6615	0.6621	-0.0004	0.6637	0.6612	65,292	88,871
Mar	0.6630	0.6632	-0.0005	0.6634	0.6628	1,300	5,383
Jun	-	0.6653	-	-	-	688	1,249

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0305	1.0325	+0.0012	1.0333	1.0296	30,961	61,422
Mar	1.0405	1.0406	+0.0010	1.0412	1.0403	543	7,085
Jun	-	1.0496	-	-	-	1	718

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7931	0.7945	+0.0001	0.7965	0.7931	33,378	41,588
Mar	0.7979	0.7980	-	0.7982	0.7976	170	2,065
Jun	-	0.8020	-	0.8020	-	6	168

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6180	1.6222	+0.0004	1.6234	1.6179	24,180	45,544
Mar	1.6180	1.6220	+0.0014	1.6224	1.6180	69	529
Jun	-	1.6170	-	-	1.6170	1	8

UK INTEREST RATES

LONDON MONEY RATES

Oct 31	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6½ - 4½	5½ - 5 7/16	5½ - 5⅜	6 1/16 - 5 15/16	6 5/16 - 6 7/16	7⅜ - 7¼
Sterling CDs	-	-	5½ - 5 7/16	5 31/32 - 5 27/32	6 5/16 - 6 3/16	7¼ - 7⅛
Treasury Bills	-	-	5⅜ - 5¼	5 13/16 - 5 11/16	-	-
Bank Bills	-	-	5⅜ - 5 5/16	5 13/16 - 5 11/16	6⅜ - 6¼	-
Local authority deps.	5¼ - 5⅛	5¼ - 5⅛	5 7/16 - 5 5/16	5¾ - 5⅝	6 5/16 - 6 3/16	7 1/16 - 6 15/16
Discount Market deps	5⅜ - 4½	5⅜ - 5¼	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.4342pc. ECGD fixed rate Stlg. Export Finance. Make up day Oct 31, 1994. Agreed rate for period Nov 26, 1994 to Dec 25, 1994, Schemes II & III 7.23pc. Reference rate for period Oct 1, 1994 to Oct 31, 1994, Schemes IV & V 5.968pc. Finance House Base Rate 6pc from Nov 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.58	93.50	-0.08	93.58	93.46	14241	143438
Mar	92.75	92.66	-0.12	92.76	92.63	18052	71103
Jun	92.11	92.04	-0.11	92.11	92.02	4469	56949
Sep	91.98	91.80	-0.10	91.98	91.58	2718	53466

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9350	0.18	0.06	0.06	0.18	0.90	1.54
9375	0.06	0.02	0.05	0.81	1.11	1.76
9400	0.02	0.01	0.06	0.52	1.35	1.99

Est. vol. total, Calls 5860 Puts 3799. Previous day's open int., Calls 336109 Puts 202542

EMS EUROPEAN CURRENCY UNIT RATES

Oct 31	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14891	+0.00099	-2.18	5.70	-
Ireland	0.808628	0.792619	-0.000078	-1.98	5.48	13
Belgium	40.2123	39.4379	+0.0163	-1.93	5.43	14
Germany	1.94964	1.91691	+0.0008	-1.98	5.19	-
France	6.53883	6.56337	+0.00219	0.38	3.01	-3
Denmark	7.43679	7.49774	+0.00253	0.82	2.56	-6
Portugal	192.854	195.950	+0.018	1.61	1.78	-11
Spain	154.250	159.489	-0.082	3.40	0.00	-24
NON ERM MEMBERS						
Greece	264.513	295.282	-0.026	11.63	-7.38	-
Italy	1793.18	1959.96	-0.6	9.30	-5.40	-
UK	0.786748	0.781528	+0.001726	-0.66	4.09	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.550	7.55	7.63	7.85	-	0.11	0.39
1.575	5.10	5.46	5.88	0.01	0.37	0.82
1.600	2.77	3.52	4.09	0.11	0.92	1.52
1.625	1.00	2.05	2.65	0.78	1.68	2.55
1.650	0.18	1.05	1.68	2.46	3.31	3.93
1.675	0.02	0.47	0.95	4.69	5.21	5.89

Previous day's vol., Calls 7,623 Puts 23,399 . Prev. day's open int., Calls 452,384 Puts 409,962

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.06	94.05	-0.01	94.06	94.04	184,899	430,392
Mar	93.62	93.61	-0.01	93.62	93.60	204,168	408,222
Jun	93.15	93.15	-	93.16	93.13	127,007	296,969

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.64	94.62	-0.03	94.94	94.62	1,503	18,158
Mar	94.13	94.14	-	94.14	94.13	409	10,683
Jun	-	93.67	-	-	93.67	18	5,645

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9475	0.10	0.14	0.08	0.13	0.03	0.07	0.29	0.34
9500	0.01	0.04	0.03	0.06	0.19	0.22	0.49	0.52
9525	0	0.01	0.01	0.02	0.43	0.44	0.72	0.73

Est. vol. total, Calls 1145 Puts 826. Previous day's open int., Calls 200256 Puts 186624

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9575	0.15	0.10	0.06	0.06	0.30	0.66
9600	0.03	0.05	0.03	0.19	0.50	0.88
9625	0.01	0.03	0.01	0.42	0.73	1.11

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2070 Puts 645

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Allied Trust Bank	5.75	Exeter Bank Limited	8.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williamson Secs.	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75	● Members of London Investment Banking Association	
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75	* In administration	
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75		
Citibank NA	5.75	Lloyds Bank	5.75		
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	* Mount Banking	6		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

WORLD STOCK MARKETS

■ TOKYO - MOST ACTIVE STOCKS: Monday, October 31, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	19.3m	400	+4	Mitsubishi Hvy	4.8m	789	+14
NKK	10.1m	299	+2	Kobe Steel	3.0m	335	+5
Kawasaki Steel	8.7m	454	+10	Fujitsu	3.0m	1110	+20
Hitachi Zosen	5.7m	567	+13	Sumitomo Corp	2.6m	1000	
Sumitomo Mtl	5.4m	367	+8	Itochu	2.5m	754	+13

FT FREE ANNUAL REPORTS SERVICE

US INDICES

Dow Jones	Oct 28	Oct 27	Oct 26	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3930.66	3875.15	3848.23	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	95.21	95.16	95.16	105.61 (21/1)	95.16 (26/10)	109.17 (18/10/93)	54.99 (1/10/81)
Transport	1536.77	1495.32	1470.87	1862.29 (2/2)	1438.50 (6/10)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	181.85	178.16	177.04	227.05 (3/1)	175.85 (20/9)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3953.54 (3893.69) Low 3863.37 (3834.44) (Theoretical ♦)
Day's high 3932.01 (3875.15) Low 3873.80 (3848.23) (Actual ♦)

Standard and Poors	Oct 28	Oct 27	Oct 26	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	473.77	465.85	462.62	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials ♥	562.98	554.28	551.13	563.10 (28/10)	510.05 (21/4)	563.10 (28/10/94)	3.62 (21/6/32)
Financial	43.90	42.91	42.42	46.94 (14/6)	41.39 (4/4)	49.46 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	258.43	255.57	253.91	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amer Mkt Val	458.10	455.09	453.53	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	776.15	767.47	763.24	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Oct 28	Oct 21	Oct 14	Year ago
Dow Jones Ind. Div. Yield	2.70	2.72	2.71	2.77
	Oct 26	Oct 18	Oct 12	Year ago
S & P Ind. Div yield	2.39	2.36	2.37	2.42
S & P Ind. P/E ratio	20.82	21.11	20.91	28.51

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Dec	476.20	476.05	-0.15	476.90	475.90	101,491	220,715
Mar	-	479.40	-	-	-	1,798	13,727
Jun	-	483.25	-	-	-	283	3,450

Open interest figures are for previous day.

■ CAC-40 STOCK INDEX FUTURES (MATIF) October 28

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Oct	1864.0	1858.0	+37.0	1895.0	1860.0	33,376	11,281
Nov	1870.0	1915.0	+50.0	1916.0	1866.5	27,284	20,302
Dec	1879.0	1924.5	+50.5	1925.0	1875.0	611	27,335

Open interest figures for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Gen Motor	6,304,100	40¼	+⅛
Compaq	5,151,000	40¼	+2
Halliburton	3,840,400	36¼	-4⅛
US Shoe	3,442,500	17½	-⅛
RJR Nabisco	3,249,000	6⅞	-⅛
USX Marath	3,234,600	18⅜	+⅜
Sprint	3,216,300	33	+⅝
Telefonos	2,873,300	56¼	-⅜
Ford	2,873,700	29½	+½
IBM	2,709,700	75⅜	+1⅜

■ TRADING ACTIVITY

● Volume (million)	Oct 28	Oct 27	Oct 26
New York SE	381.350	327.810	322.528
Amex	17.302	23.474	16.043
NASDAQ	348.396	286.238	283.253
NYSE			
Issues Traded	2,879	2,875	2,885
Rises	1,646	1,260	977
Falls	621	888	1,210
Unchanged	612	688	698
New Highs	97	44	19
New Lows	126	173	191

1 Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close October 31

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

NYSE

AMEX

Have your

Financial Tim

هكذا من الأصل

4 pm close October 31

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
Continued from previous page										
9⅞	4⅞	Salant Crp			6	531	5	4⅞	5	
49⅞	31¼	Sallie Mae	1.40	4.4	6	5059	32¾	31⅞	32⅛	+⅛
19⅞	11⅞	Salomon Br x	0.36	3.0		821	12½	12⅛	12⅛	-¼
52¾	37	Salomon	0.64	1.6	5	2777	41⅝	39¼	39¼	-2⅝
25	17½	SDgGE	1.52	7.8	19	2122	20	19¾	20	+¼
18	7½	SantaFeERs	0.16	1.8	10	314	9¼	9⅛	9⅛	+⅛
17⅞	13½	SFeGd				13638	14⅝	14¼	14⅞	-⅛
26¼	12⅞	SanFeP	0.10	0.7	8	10551	15¾	15⅜	15⅜	-⅛
26	19⅞	SaraLee	0.68	2.8	10	9076	25⅛	24⅝	24⅝	-⅜
50⅛	42	Scana Corp	2.82	6.6	11	185	43⅛	42⅞	43⅛	+⅛
20½	12½	Scecorp	1.00	7.2	9	4117	14	13¾	13⅞	
43⅞	31⅛	ScherekRP			34	174	u44⅝	43⅞	44⅝	+⅞
72½	54½	SchPl x	2.04	2.9	18	6603	72¼	70½	71¼	+2⅜
63	50¼	Schlmb	1.20	2.0	24	7268	59	58½	58¼	
37	23¼	Schwab(C) x	0.28	0.8	19	3542	20	35¼	35½	-¼
10¼	6⅛	Schwitzer			26	44	9½	9¼	9⅝	-⅛
22⅝	12⅞	SciAtl	0.06	0.3	43	2740	22	21⅝	21⅝	-⅜
16⅞	13	Scotsman	0.10	0.6	14	26	16	15¾	15¾	-¼
67½	37¼	ScottP	0.80	1.2	20	3850	67⅜	66⅛	66⅛	-1⅛
28⅝	16⅝	ScuddrNAeF	0.21	0.9		49	24½	24¼	24¼	
12⅝	9⅛	ScuddrNEuF	0.16	1.8		109	9⅞	9⅝	9¾	
18⅛	13½	SeaCntB 3	0.70	4.5	7	30	15½	15⅜	15½	+.70
16½	14⅝	SeaC1.4625	1.46	9.6		6	15¼	15¼	15¼	
32⅝	26¼	Seagrm	0.60	1.9	39	1829	30⅞	30¼	30⅞	+⅛
29¾	21⅞	Seagull En			34	4110	26	24⅝	20	+1½
38¼	26⅝	Sealed Air			25	192	34⅝	34⅛	34⅛	-⅜
[illegible]										

NASDAQ NATIONAL MARKET

4 pm close October 31

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMEX COMPOSITE PRICES

4 pm close October 31

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

AMERICA

Dow lower at midsession on profit-taking

Wall Street

US share prices were mostly lower yesterday morning as squity investors regrouped after Friday's big gains, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jooes Industrial Average was down 5.04 at 3,925.62, while the more broadly based Standard & Poor's 500 was up a scant 0.19 at 473.96.

On the NYSE, advancing issues wsre outnumbering declines by an 11-to-nine margin.

Activity eased from Friday's beated pace, with a moderate 176m shares traded by early afternoon. In the other leading markets, the Amsrican SE composite was 0.27 better at 458.43, while the Nasdaq composite dipped 0.04 to 776.11.

Early in the day, profit-takers came to the fore on the beels of Friday's 55-point surge by the Dow industrials. Bonds were a little lower, following a big advance of their own. The day's economic news came in fairly close to expectations and had little impact oo sentimeot.

The commerce departmeot reported a small increase in personal spending and income during September, while tbe Purchasing Management Associatioo of Chicago said that both of its October index of business activity and the prices-paid componeot of its monthly survey bad risen.

Investors took little notice of either development, with attentioo centred on today's national survey of purchasing management and Friday's crucial data on conditions in the labour market.

Among the Dow componeots, Philip Morris was marked down $2⅝ to $61⅛ in heavy volume of nearly 4m shares. A Florida court ruled in favour of allowing any smoker wbo fell ill because of nicotine addictioo to be included in a class-actioo suit against cigarette makers.

Shares in RJR Nabisco, another big tobacco company, dropped $¼ to $6⅝. Sellers were influenced by the additional news that RJR planned to divest 19 per cent of its food operations in a stock offering and would drop its plan to acquire a minority stake in Borden, down $¼ at $13½.

In pharmaceuticals, Pfizer gained $1¼ to $74⅝ after agreeing to acquire Namic USA, a medical equipment supplier, in a deal valued at $158m. Namic surged 3\frac{13}{16}$, or 28 per cent, to 17\frac{7}{16}$ on the Nasdaq.

Canada

Toronto was mixed in listless midday trading as rising golds and pipelines vied with losing industrial products and media for dominance. The TSE 300 composite index was just 1.79 higher at 4,290.41 by noon.

The precious metals gronp jumped 0.9 per cent, defying a downward slide in gold prices, as American Barrick Resources rallied on better than expected third quarter results. Barrick picked up C$⅝ to C$32¼.

The industrial products group lost 0.9 per cent as Methanex and Newbridge Networks posted sharp losses.

Brazil

Shares in São Paulo were off 1 per cent in moderate midday trade as higher interest rates triggered profit-taking. Ths Bovespa index had fallen 468 to 48,808 by 1 pm in turnover of R$113.1m ($133.8m).

Brokers said that higher interest rates, combined with worries about inflation, bad prompted domestic and foreign investors to cash in profits after the market had risen by 13.4 per cent over the last four sessions.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	+0.37	-4.34	-8.48	-14.65	-10.67	-1.98
Belgium	-0.18	-0.09	-4.11	-10.70	-5.21	+4.01
Denmark	-2.21	-2.37	-6.43	-11.35	-6.99	+2.06
Finland	+1.13	+5.66	+28.63	+29.14	+48.04	+62.44
France	+2.75	+0.60	-11.22	-15.21	-11.69	-3.10
Germany	+0.52	+0.85	-2.74	-11.36	-7.07	+1.98
Ireland	+0.60	-0.78	+5.03	-0.75	+2.79	+12.78
Italy	+2.85	-6.87	+9.27	+3.79	+4.90	+15.09
Netherlands	+2.68	+2.39	+1.49	-3.66	+0.85	+10.65
Norway	-0.75	+1.19	+1.20	-0.61	+3.87	+13.97
Spain	+0.99	-0.13	-7.08	-10.51	-7.22	+1.81
Sweden	+0.70	+4.11	+4.51	+5.52	+11.53	+22.38
Switzerland	-0.75	-1.75	-5.65	-14.00	-7.63	+1.35
UK	+1.47	+1.74	-2.46	-9.85	-9.65	-0.86
EUROPE	+1.30	+0.56	-2.98	-9.32	-6.60	+2.49
Australia	-0.48	+0.52	-1.35	-5.77	-5.99	+3.15
Hong Kong	+0.56	-2.91	+5.56	-22.18	-29.08	-22.18
Japan	-0.66	-0.44	-2.18	+8.28	+13.15	+24.15
Malaysia	-1.10	-2.60	+18.01	-12.30	-15.65	-7.45
New Zealand	+2.32	+2.97	+3.39	+1.72	+2.01	+11.93
Singapore	+0.15	+4.24	+13.86	-1.22	-1.56	+8.01
Canada	-0.24	-0.63	+5.09	+2.54	-8.33	+0.58
USA	+1.86	+2.35	+1.49	+1.82	-7.20	+1.82
Mexico	-5.71	-5.11	+26.52	-1.56	-18.83	-10.94
South Africa	-0.71	+1.20	+49.46	+17.50	+14.14	+25.24
WORLD INDEX	+0.72	+0.76	+0.03	-0.41	-2.27	+7.24

† Based on October 28, 1994. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited.

Apparent variations in the European response to the US upward lead last week include a 2.75 per cent gain in France, according to the FT-Actuaries World Indices, set against one of just 0.52 per cent in Germany. However, Mr Jerry Evans, European strategist at Kleinwort Beoson, points out that measuring both over the week to late Friday afternoon wipes out most of the deficit. Italy's gain, he says, reflects two prior weeks of underperformance, and speculative excitement about corporate stories and rumours against a background of low volume. Denmark, in contrast, fell after outperformance in the week before, and Switzerland slid mostly on worries aboot the dollar and its currency translation effect on earnings of the big Swiss internationals. The week's worst performer was Mexico, depressed by earnings below expectations at Telmex, the country's largest private company.

EUROPE

Ambroveneto up 9.7% more on bid talk

Yesterday's downswing in US sentiment, weighing upon the New York morning, was manifest in the European afternoon, *writes Our Markets Staff.*

MILAN continued to feature bid activity and speculatioo in banks, while the strength of Fiat also contributed to a 11.22 or 1.8 per cent rise in the Comit index to 635.43.

Traders commeoted that volume held up surprisingly well at around the receot depressed daily average of L500bo with banks closed by a striks for mucb of the day and abead of today's public boliday.

Ambroveneto, rumoured as a bid target, advanced a further L462 or 9.7 per cent to L5,236, taking its surge over the last three sessions to 34 per ceot. BCI, thought to be a possible suitor, gained L94 or 2.7 per cent at L3,556.

Credito Romagnolo picked up L71 to L16,949, off a high of L17,400, but still short of the L19,000 price offered by Credito Italiano. Credito rose L35 or 2.2 per ceot to L1,640.

Fiat put in a solid performance, climbing L59 to L6,283 on renewed buying by Italian funds. Ferruzzi added L60 or 4.9 per cent at L1,293, with investors wbo had sold the stock at higher prices said to be returning as buyers.

FRANKFURT offered apparent gains oo the session, but these mostly reflected last Friday afternoon, when a higher dollar, rising bond prices and an ebullient Wall Street made their mark in Europe; yesterday the Dax index closed the official session at 2,071.63, up 31.31, of which 27.12 points were gained on Friday.

Later indications were more subdued. The Ibis indicated Dax ended 3.28 lower at 2,061.58, with individual features few and far between. Turnover rose from DM5.4bn to DM5.6bn.

However, Mr Eckbard Frahm of Merck Finck in Düsseldorf produced his monthly review of the Dax and its constituents, which included a coople of hopeful pointers in yesterday's uncertain times:

- first, while there were some almost superstitious worries about the month of October, the Dax did better than many expected last month, with a 3 per cent gain against a 9.1 per cent fall in September; and
- secood, tbe presence of three banks, Deutsche, Bayernverein and Bayernhypo, in the top five Dax performers in October could suggest that the bond market is over the worst – although Mr Frahm was cautious about this, with US elections coming up.

ZURICH put in another firm performance, with dollar sensitive issues leading tbe way, and the SMI index finisbed 16.0 ahead at 2,506.5 but off e day's high of 2,521.6.

Among the dollar earners, Roche certificates gained SFr125 at SFr5,585.

Surveillance surged SFr120 or 7.1 per cent to SFr1,820 while Holderbank and Nestlé each improved SFr20 to SFr969 and SFr1,174 respectively.

In the banking sector, UBS bearers fell SFr23 to SFr1,177 as investors continued to switcb out of tbe stock ahead of the extraordinary shareholders meeting on November 22. The bank's statement that unfavourable market cooditions would cause this year's earnings to fall short of the 1993 level came after the market closed. CS Holding, a beneficiary of switching out of UBS, gained SFr8 to SFr549.

Among firm insurers, Zurich rose SFr10 to SFr1,145 and Winterthur added SFr4 to SFr638 francs ahead of Thursday's oews conference.

AMSTERDAM climbed as investors awaited third quarter results from a number of major Dutch companies later in the week. The AEX index gained 3.57 to 412.62, after 415.35.

The market was also supported by strength in the dollar and in bonds, altbough there was a slight sell off when Wall Street opened down.

Philips was among the day's gainers, up Fl 1.70 or 3.1 per cent to Fl 55.80 ahead of its third quarter results whicb are due on Thursday. The figures are expected to show that the electronics group is making substantial progress in its return to financial health.

DSM, whicb opens the rsporting season today, weot against the trend, off Fl 1.80 to Fl 146.00 as profits were taken following strong gains in the past week. Analysts expected the chemicals group to return a profit of around Fl 102m, against a net loss of Fl 52m in the same 1993 period.

Akzo Nobel, which reports tomorrow, moved ahead Fl 2.60 to Fl 212.90.

MADRID managed to report a gain in spite of renewed bond market weakness. The general index rose 0.97 to 296.30 as ths domestic December bond future fell 50 basis points to 86.75.

Turnover was thin ahead of today's holiday, at Pta18.8bn. Repsol was the big blue chip winner with a rise of Pta50 to Pta4,005, off an intraday high of Pta4,070. The oil company is expected to release third quarter results soon.

Constructioos, weak last week, recovered with Cubiertas Pta120 higher at Pta8,050 and FCC up Pta150 at Pta12,600. In retailers, Cortefiel rose Pta120 to Pta4,480 on first half results which showed net profits up 7.6 per cent.

STOCKHOLM enjoyed a broad rally led by the pharmaceutical group, Astra, and the engineer, Asea. The Affärsvärldsn General index rose 13.2 to 1,485.0 with Astra A up SKr5.50 at SKr194.50 and Asea, which owns 50 per cent of the Swiss-Swedish engineering group, ABB Asea Brown Boveri, up SKr7 to SKr522 in a rebound after recent losses.

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Oct 31							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1338.71	1339.78	1339.28	1339.81	1340.31	1340.43	1339.41	1337.14
FT-SE Eurotrack 200	1401.02	1401.09	1400.83	1401.48	1402.93	1402.90	1402.49	1400.54

	Oct 28	Oct 27	Oct 26	Oct 25	Oct 24
FT-SE Eurotrack 100	1326.61	1303.28	1300.71	1295.00	1312.32
FT-SE Eurotrack 200	1386.91	1361.02	1358.10	1358.47	1372.56

Base 1000 (26/10/90); High/day: 100 - 1341.05; 200 - 1403.80 Low/day: 100 - 1337.14 200 - 1400.14 † Partial

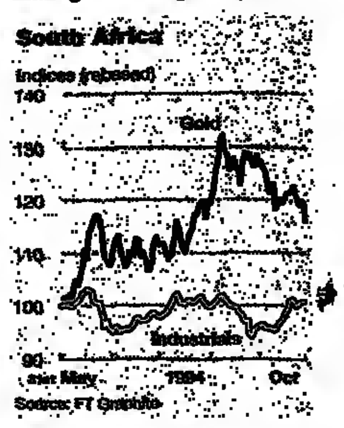
S African golds lose nearly 3%

Weakness in the price of gold bullion, which hit a low of about $382 an ounce in London trading during the session, made its effect felt on the Johannesburg gold shares index, which dropped by nearly 3 per cent.

Dealers remarked that hopes that gold would attain the $400 level, which had been supporting prices during late September and early October, had receded, thereby resulting in heavy selling.

The golds iodex closed 67 down at 2,224, with sellers also coming into the market after tha release of US consumer expenditure data which showed a smaller than expected September rise.

The industrials index was affected by the fall in gold, but managed to regain positive territory by the close, adding 6 at 6,604. The overall index slipped 27 to 5,723.



Source: FT Graphite

Since reaching a year's high of 2,535 at the start of September, the golds index bas fallen by 12 per cent, but remains 2.7 per cent up from its position at the beginning of January.

Among the day's movers, Driefontein, the gold miner, slipped R2.75 to R64, while Western Deep declined R10 to R214. Gencor ended 25 cents off at R14.75.

De Beers, which said it was increasing investment in Tanzania through its Willcroft subsidiary company, relinquished R2 at R98.55.

Vaal Reefs finisbed R12 down at R416, while Freegold retreated R2 to R68 and Loraine softened 25 cents to R19.50.

ASIA PACIFIC

Nikkei higher as Hong Kong sees 2.8% rise

Tokyo

An easing of selling pressure oo Japan Tobacco, whose unsuccessful listing last week eroded confidence, encouraged buying by overseas and institutional investors and the Nikkei 225 average gained ground, *writes Emiko Terazono in Tokyo.*

The index closed 184.44 higher at 19,989.60, rising for the fourth consecutive day. It fluctuated between 20,000.70 and 19,855.47, with trading by securities dealers also lifting activity.

Volume totalled 245m shares, against 251m. The Topix index of all first sectioo stocks gained 17.34 at 1,584.66, while the Nikkei 300 put oo 3.71 at 290.50. Rises outnumbered falls by 776 to 198, with 172 issues unchanged. But in London the ISE/Nikkei 50 index was 1.38 easier at 1,305.46.

The advance oo Wall Street oo Friday encouraged futures trading which, in turn, prompted arbitrage buyers. Overseas investors, followed by domestic institutions, bougbt large-capitalisation stocks, including steels and shipbuilders oo hopes of a worldwide recovery in steel demand.

Over the next few weeks the market is expected to focus on interim earnings announcements and forecasts for the full year. However, some analysts did not think that profit increases would lift sbare prices for the time being. Traders also said potential sellers around the 20,000 Nikkei 225 level were expected to cap a rise in shares.

Steel companies led activity. Nippon Steel rose Y4 to Y400 and NKK by Y2 to Y299. Shipbuilders were also traded, with Hitachi Zosen up Y13 to Y567 and Mitsubishi Heavy Industries by Y14 to Y789.

Japan Tobacco, whicb declined sharply following its listing last week, rallied Y20,000 to Y1.08m, while other privatisation issues were also firm, with East Japan Railway up Y1,000 to Y483,000 and Nippon Telegraph and Telephone gaining Y15,000 at Y905,000.

Japan Telecom, the long distance telecommunicatioos operator, fell Y60,000 to a new low for the year of Y3.54m oo profit-taking. Kyushu Matsushita Electric, an affiliate of Matsushita Electronics Industrial, shed Y400 to Y2,440: investors were discouraged by a 61 per cent fall in interim pre-tax profits and the forecast of a 40 per cent earnings decline for the full year.

In Osaka, the OSE average rose 165.79 to 22,094.95.

Roundup

Friday's rally oo Wall Street provided a lead for some Pacific Rim markets. Taiwan and Manila were closed.

HONG KONG followed Wall Street and saw a flood of pent-up demand drive the market ahead by 2.8 per cent, its biggest ooe-day rally since August 30. The Hang Seng index rose 266.78 to 9,646.25 in a broadly based rally led by recent laggards.

The mood was also boosted by growing expectations that Britain and China were close to a deal on the financing for Hong Kong's new airport, which took HSBC Holdings up HK$1.50 to HK$91.50.

BANGKOK finished 1.5 per cent higher amid demand for building material and property development shares, ahead of the launch of a Bt5bn mutual fund to invest in these sectors.

The SET index closed at the day's high, up 22.71 at 1,528.83, in heavy turnover of Bt9.1bn.

SEOUL was higher in active trading after wide fluctuations on the back of renewed buying interest in securities houses and lower-priced manufacturing shares. The composite index closed 7.36 ahead at 1,105.62, having hit a day's high of 1,115.48. Volume, at 55.9m shares, was sharply up from Friday's 47m.

Securities shares with good earnings forecasts found demand. Ssangyong Investment and Hanshin rose Won1,000 each to go limit-up at Won25,300 and Won21,000 respectively.

SYDNEY finished higher, taking its lead from foreign markets, bot tbe market remained overshadowed by today's domestic balance of paymeots data.

Volume was thin at 138.9m shares as the All Ordinaries index closed 23.6 or 1.2 per cent up at 2,044.8.

Finance stocks met healthy buying. The four major banks all finished higher, with investors buying in anticipatioo of strong final result announcements sbortly. ANZ rose 10 cents to A$3.90 and Westpac 8 ceots to A$4.53.

WELLINGTON was modestly firmer after a number of leading stocks went ex-dividend, putting a restraining influence oo the main index. The NZSE-40 Capital index, which does oot adjust for ex-dividends, ended 5.21 higher at 2,100.37, while the NZSE-40 Gross index, whicb does adjust, put on 23.35 at 2,560.78 in turnover of NZ$38.2m.

KUALA LUMPUR's early gains were cut short as investors largely ignored the 1995 budget, announced last Friday, and prices put under more pressure by bouts of forced selling by clients unable to meet margin calls.

The composite index ended 4.19 off at 1,108.85 after hitting an early high of 1,122.72.

SINGAPORE saw property and finance issues make the most headway, while Malaysian stocks were lower, again on forced selling. The Straits Times Industrial index rose 16.57 to 2,379.03.

JAKARTA held on to early gains at the close on the back of brisk foreign buying and a firmer Indosat price. The official index ended 7.09 higher at 523.49. Indosat's strong performance in New York was reflected in the domestic market, with its price rising another Rp125 to Rp8,650.

COLOMBO edged ahead on domestic boying, but turnover of SLRs90.8m was at its lowest level this year oo poor foreign demand. The All-share index gained 3.33 at 1,093.65.

SHANGHAI's A share index fell 4.7 per cent, but was off its lows after the exchange president reiterrated July's commitment to introduce market boosting measures. The index lost 32.78 at 668.63 in very thin turnover of Yn1.4bn.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY OCTOBER 28 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY OCTOBER 27 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	172.12	–0.6	157.20	105.90	135.07	154.06	–0.5	3.60	173.10	156.70	106.02	134.74	154.90	189.15	149.36	156.82
Austria (16)	181.32	–0.3	165.59	111.56	142.28	142.15	0.5	1.13	161.85	164.62	111.38	141.55	141.40	198.89	187.46	177.14
Belgium (35)	169.17	–0.3	154.50	104.08	132.75	129.50	0.6	4.26	169.73	153.65	103.96	132.11	128.81	177.04	149.33	150.03
Canada (103)	136.58	0.2	124.73	84.03	107.17	133.50	0.3	2.54	136.26	123.35	83.46	106.06	133.06	145.31	120.54	132.65
Denmark (33)	252.29	–1.4	230.41	155.23	187.98	202.53	–0.5	1.47	255.74	231.52	156.64	199.06	203.48	275.78	230.27	235.95
Finland (24)	200.12	–0.6	182.76	123.12	157.03	193.36	0.7	0.73	201.41	182.33	123.36	156.77	192.10	201.41	116.85	123.47
France (101)	170.51	1.4	155.72	104.91	133.80	138.19	2.3	3.14	168.10	152.17	102.96	130.84	135.12	185.37	159.34	169.41
Germany (58)	143.02	0.3	130.61	87.99	112.23	112.23	1.1	1.84	142.58	129.07	87.33	110.98	110.98	150.40	128.37	132.62
Hong Kong (56)	380.77	0.8	347.75	234.28	298.81	377.78	0.8	3.16	377.73	341.95	231.35	294.02	874.75	506.56	341.29	360.57
Ireland (14)	208.88	0.3	190.77	128.52	163.92	183.81	1.0	3.44	208.31	188.57	127.59	162.14	181.92	218.60	171.66	174.00
Italy (58)	78.94	2.4	72.10	48.57	61.95	91.01	3.5	1.72	77.07	69.77	47.20	59.99	87.98	97.78	57.88	68.54
Japan (468)	161.56	–0.5	147.55	99.40	126.78	99.40	0.0	0.77	162.34	146.96	99.43	126.36	99.43	170.10	124.54	148.48
Malaysia (97)	547.46	0.9	499.98	336.84	429.61	538.26	0.9	1.56	542.71	491.30	332.40	422.44	533.30	621.63	430.71	470.79
Mexico (18)	2126.47	0.4	1942.04	1308.35	1668.68	7982.34	0.5	1.26	2116.68	1917.96	1297.65	1643.12	7939.63	2647.08	1696.28	1848.56
Netherland (19)	220.32	1.0	201.22	135.56	172.90	170.04	1.8	3.40	218.14	197.48	133.61	169.80	187.09	220.32	187.01	195.09
New Zealand (14)	76.01	0.8	69.42	46.77	59.65	65.57	0.6	3.71	75.44	68.29	46.21	58.72	65.20	77.59	59.22	66.22
Norway (23)	204.73	–0.2	186.97	125.96	160.66	182.27	0.6	1.81	205.21	185.77	125.69	159.73	181.26	211.74	165.52	180.65
Singapore (44)	396.98	–0.1	362.54	244.24	311.51	269.18	0.9	1.57	397.43	359.78	243.42	309.35	268.22	399.01	294.99	322.85
South Africa (59)	334.57	–0.7	305.55	205.85	262.54	294.33	0.3	2.17	336.89	304.97	206.34	262.22	293.43	342.00	202.72	212.68
Spain (38)	141.87	0.6	129.56	87.29	111.33	135.03	1.7	4.32	140.80	127.46	86.24	109.59	132.79	155.79	128.88	142.51
Sweden (36)	240.31	–0.8	219.47	147.85	188.58	255.69	0.4	1.57	242.34	219.39	148.43	188.64	254.59	242.34	175.83	203.83
Switzerland (47)	162.30	0.6	148.23	99.86	127.36	126.80	1.4	1.92	161.28	146.00	98.78	125.54	125.09	176.56	143.64	148.75
United Kingdom (204)	203.28	0.8	185.65	125.07	159.52	185.65	1.7	4.10	201.72	182.61	123.55	157.02	182.61	214.98	181.11	191.54
USA (515)	193.37	1.7	176.60	118.98	151.74	193.37	1.7	2.82	190.13	172.12	116.45	147.99	190.13	196.94	178.95	190.52
EUROPE (707)	173.78	0.7	158.72	106.93	136.38	149.67	1.6	3.12	172.51	156.17	105.66	134.28	147.29	178.58	154.78	161.30
Nordic (116)	231.81	–0.9	211.70	142.62	181.90	210.60	0.3	1.41	233.85	211.59	143.23	182.02	209.98	233.91	173.16	191.93
Pacific Basin (747)	170.91	–0.3	156.09	105.16	134.12	110.21	0.0	1.09	171.51	155.26	105.05	133.50	110.17	179.86	134.79	158.57
Euro-Pacific (1454)	172.00	0.1	157.09	105.83	134.97	126.03	0.7	1.96	171.81	155.53	105.23	133.73	125.14	175.14	143.88	158.41
North America (618)	189.85	1.6	173.38	116.81	148.98	189.25	1.6	2.81	186.79	169.09	114.40	145.38	186.19	192.73	175.67	186.93
Europe Ex. UK (503)	154.38	0.7	140.99	94.99	121.14	128.70	1.6	2.52	153.27	138.75	93.87	119.30	126.68	158.12	135.94	141.91
Pacific Ex. Japan (279)	261.85	0.3	239.14	161.11	205.48	232.16	0.4	2.78	260.96	236.24	159.84	203.13	231.33	296.21	232.54	234.76
World Ex. US (1634)	173.69	0.1	156.61	106.99	136.45	129.80	0.7	1.97	173.71	157.25	106.39	135.21	128.91	176.85	145.58	159.21
World Ex. UK (1945)	176.99	0.7	161.64	108.89	138.88	145.58	1.0	2.07	175.84	159.18	107.70	136.87	144.17	178.58	155.98	168.44
World Ex. So. Af. (2090)	178.30	0.7	162.84	109.70	139.92	148.18	1.1	2.27	177.09	160.31	108.46	137.84	146.61	180.03	158.54	168.46
World Ex. Japan (1681)	190.76	1.1	174.22	117.37	149.69	178.65	1.5	2.89	188.60	170.73	115.51	146.80	176.02	195.20	176.94	181.16
The World Index (2148)	179.31	0.7	163.75	110.32	140.70	149.24	1.0	2.27	178.12	161.25	109.10	138.64	147.69	180.80	158.85	168.65

Latest prices were unavailable for this edition.